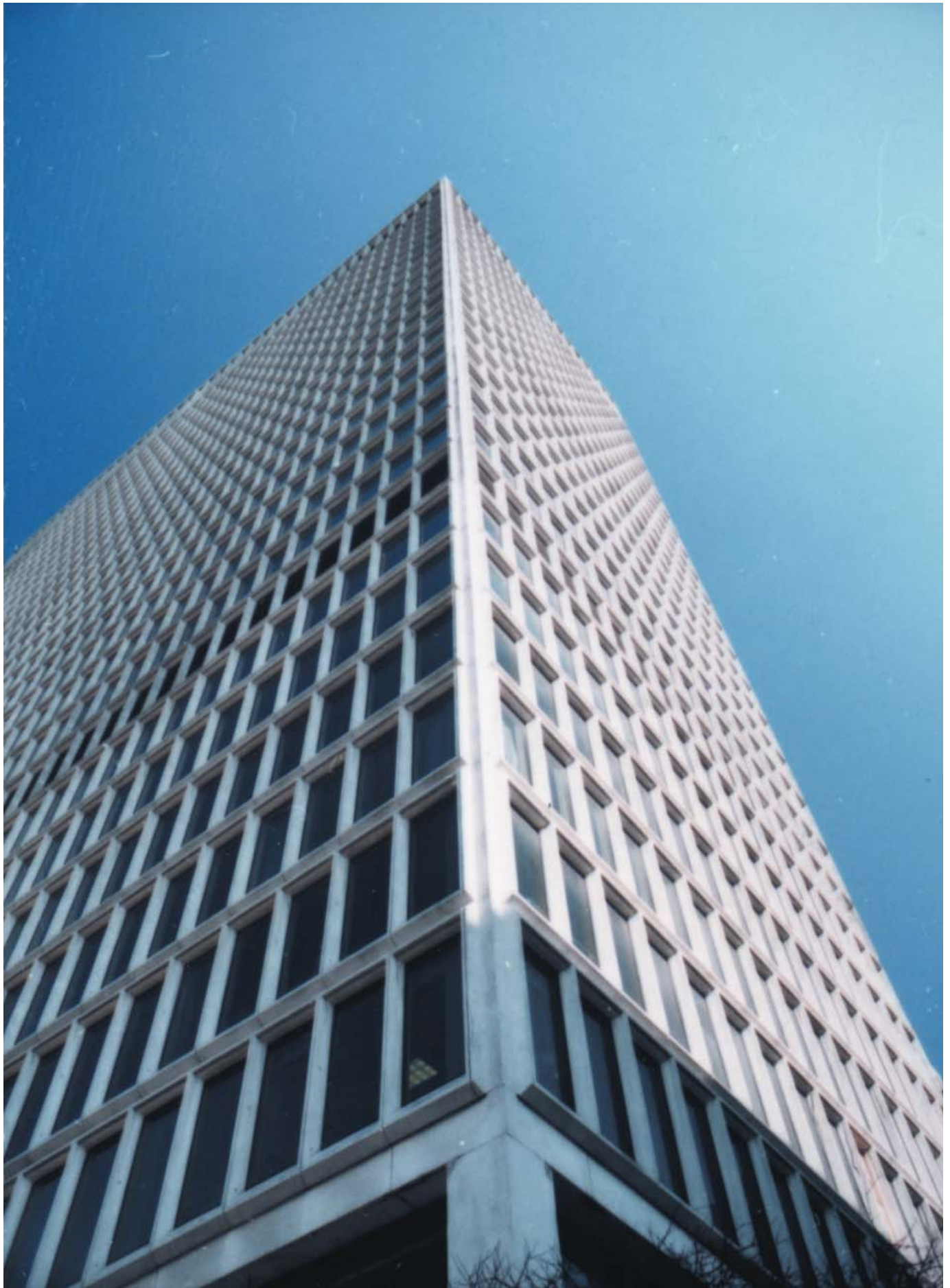

Annual Report 2005



*United States Attorney's Office
Eastern District of Michigan*



*U.S. Attorney's Office - Eastern District of Michigan
211 W. Fort Street, Detroit, Michigan 48226*

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Dedication

The 2005 Annual Report is dedicated to the memory of Michele Tomsho, who served as Administrative Officer for this office from 1994 to May 2005, and served the Department of Justice for 25 years. Michele twice received the Department's prestigious Director's Award, personally presented by the U.S. Attorney General, during her career. She received a third Director's Award, posthumously, on October 28, 2005.

Letter from the U.S. Attorney



To All Those Interested in the Work of the Office:

Greetings. I am pleased to present this 2005 Annual Report on the progress and activities of the Office of United States Attorney for the Eastern District of Michigan over the past year. Many varying accomplishments are described in these pages, and the consummation of that effort is a tribute to the hard work, professionalism, and dedication of the attorneys and supporting personnel who make our office the excellent one it is.

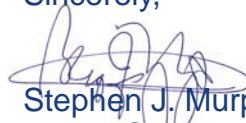
Since I became United States Attorney in March 2005, I have had the privilege of observing, participating in, and supervising some truly remarkable prosecution efforts and some highly significant civil cases. In a wide variety of areas, from dismantling large-scale drug-trafficking organizations, to prosecuting material support for terrorism cases; from human trafficking and trade secret theft to violence and corruption, this office has pursued, and is continuing to pursue, significant investigations, prosecutions and other matters. I am proud that we have also successfully brought several cases that ensure security for the disabled and others who need and have the protections of federal civil rights laws.

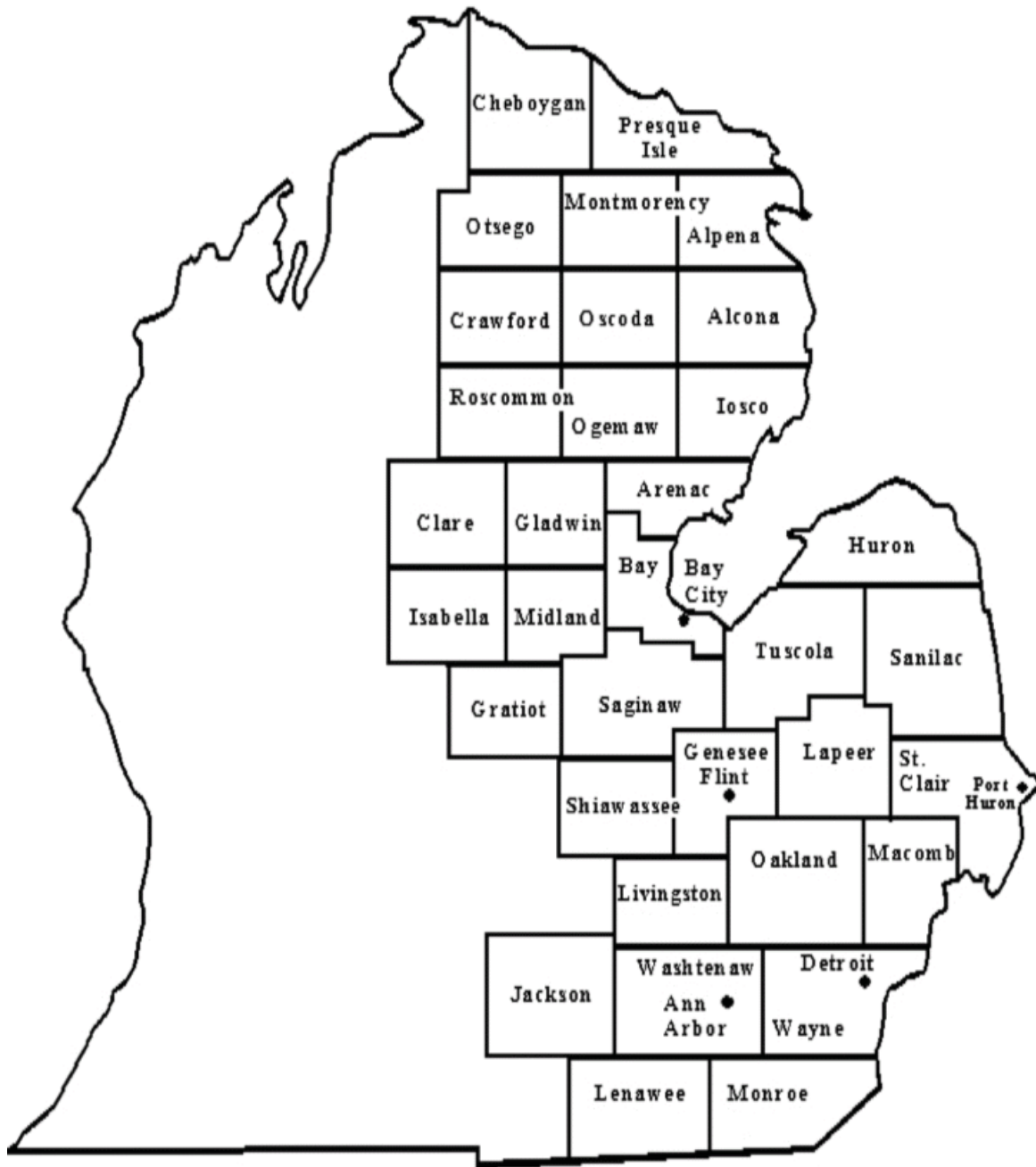
In addition to these significant cases, we had some exciting developments in other important areas as well. We continue to work hard to be present and, in fact, a positive presence, in all facets of our large and diverse community. In the areas of personnel and training, some new managers were welcomed onboard in April, and three new Assistant U.S. Attorneys were hired at the end of the year. Formal training and continuing legal education efforts aimed at furthering the development of all AUSAs is in the works.

We've also developed a written media relations manual for our AUSAs to rely upon and we hosted a management training retreat for our leaders. I believe we should see ourselves not only as attorneys and prosecutors in the district, but as effective leaders, both in our office and in our community at large. A number of men and women have gone above and beyond the call of duty to truly lead this office, and I think you will see that leadership on full display in the accomplishments described in this report.

In 2006, we will continue to pursue our number one priority, fighting domestic and international terrorism, both to protect our community and to prevent future attacks. We will also work hard on our other priority areas, including pursuing public corruption, drug trafficking, violent and repeat firearms offenders, corporate and health care fraud, and continued community outreach. I look forward to working with you to meet these daily challenges.

Sincerely,


Stephen J. Murphy
United States Attorney



Map of Counties in the Eastern District of Michigan

US Attorney's Biography - Stephen J. Murphy, III



Stephen J. Murphy, III, was nominated by President George W. Bush for the position of United States Attorney for the Eastern District of Michigan on February 17, 2005, and confirmed by unanimous consent of the U.S. Senate on June 8, 2005.

As U.S. Attorney, Mr. Murphy oversees offices in Detroit, Flint and Bay City, which comprise approximately 100 Assistant U.S. Attorneys and a similar number of support staff. He has identified office prosecutorial priorities in the areas of counter-terrorism, public corruption, illegal narcotics enforcement, and violent crime. The U.S. Attorney has also developed strategies for partnering with citizens in educational efforts to reduce crime and to develop highly effective firearms and violent crime initiatives under the President's Project Safe Neighborhood program.

Prior to his service as United States Attorney, Mr. Murphy was an attorney with the General Motors Legal Staff in Detroit, where he specialized in litigation, internal investigations, counseling on various business law issues and other "white collar" matters. Mr. Murphy was previously with the U.S. Department of Justice for more than twelve years: first as a trial attorney with the Civil and Tax Divisions in Washington, D.C. (hired by Attorney General Meese under the prestigious Honors Program), and then as a federal prosecutor in Detroit from 1992-2000. During his tenure as an Assistant U.S. Attorney, Mr. Murphy prosecuted and tried various violent, narcotics and white-collar criminal cases in Detroit. He has served as a public arbitrator for the National Association of Securities Dealers.

A 1987 graduate of the St. Louis University School of Law (where he helped edit the Law Review), Mr. Murphy is also active in legal and community affairs: he served as a member of the Michigan State Bar Board of Commissioners and sat on a committee appointed by the Michigan Supreme Court to revise the Michigan Rules of Criminal Procedure.

Mission Statement

*United States Attorney's Office
Eastern District of Michigan*

Our mission is to serve justice by prosecuting federal crimes and representing the United States of America in federal court with diligence, fairness, and integrity. For us, doing right and upholding the letter and spirit of the Constitution and laws of the land are not only more important than prevailing in any single case, they are the standards by which we measure the success of every case.

*Office of the
United States Attorney*



Executive Office

The United States Attorneys serve as the nation's principal litigators under the direction of the Attorney General. There are 93 United States Attorneys stationed throughout the United States, Puerto Rico, the Virgin Islands, Guam, and the Northern Mariana Islands. United States Attorneys are appointed by, and serve at the discretion of, the President of the United States, with advice and consent of the United States Senate. One United States Attorney is assigned to each of the judicial districts, with the exception of Guam and the Northern Mariana Islands, where a single United States Attorney serves in both districts. The United States Attorney is the chief federal law enforcement officer of the United States within his or her particular jurisdiction.

United States Attorneys conduct most of the trial work in which the United States is a party. The United States Attorneys have three statutory responsibilities under Title 28, Section 507 of the United States Code:

- the prosecution of criminal cases brought by the federal government;
- the prosecution and defense of civil cases in which the United States is a party; and
- the collection of debts owed the federal government which are administratively uncollectible.

Although the distribution of caseloads varies between districts, each has every category of cases and handles a mixture of simple and complex litigation. Each United States Attorney exercises wide discretion in the use of his/her resources to further the priorities of the local jurisdictions and the needs of their communities. United States Attorneys have been delegated authority and control in the areas of personnel management, financial management, and procurement for their offices.

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*A Retrospective View:
History of the
United States Attorney's Office,
Eastern District of Michigan*

Like everything else on the Michigan frontier, the United States Attorney's Office was born of humble beginnings. In 1815 the Office consisted of one man, Solomon Sibley, and a small room where he prepared his legal pleadings and interminable correspondence with a quill pen. Being a pioneer lawyer in the Michigan territory could be a physically challenging and dangerous profession. Most of the time, Sibley and his successor "District Attorneys," as they were then known, appeared in court at the modest Second Council House, at the southwest corner of Jefferson and Randolph in Detroit. But they also were required to appear at other territorial courts in Cincinnati, Marietta or Chillicothe, Ohio. Since there were no roads and few lodging places, this meant braving the weather in a horseback trip on Indian trails through the wilderness, with legal papers in saddlebags and a long cloak as protection from snow and rain.

For most of the first century of the nation's history, the District Attorneys, particularly those in the territories, received very limited guidance or supervision from Washington, D.C. There was no Justice Department until 1870, and the Attorney General had no responsibility for monitoring

the District Attorneys or their cases in the lower courts. The District Attorneys were relatively independent, especially in criminal matters. Along with the United States Marshal Service and local law enforcement, they were responsible for maintaining law and order for a developing nation. There were no criminal investigators until late in the century. The District Attorneys had to glean the evidence themselves to present to grand juries and at trial, sometimes with the help of private parties. Given the limitations on transportation and communication, prosecuting an undeveloped case on the frontier was a challenging task.

Throughout the 1800s the District Attorneys filled in the legal and procedural interstices in their federal litigation, either by ingenuity or by advice from others. They prosecuted criminal cases involving assaults and murders, timber depredation and gambling. Most of the civil cases involved either the collection of debts owed to the United States or matters stemming from the sale of land to the torrential migration of pioneers into the territory and, after 1837, the State of Michigan.

During the Civil War, it was the United States Attorney's responsibility to enforce the nation's first draft law, which was quite unpopular, as well as to support the Union's war effort. After the war, the crime wave which swept across the country and the explosive growth of commercial activity resulted in a severe case backlog in the federal courts. The federal district in Michigan was split into the Eastern and Western Districts. These factors led to the acceptance by Congress that consolidation of the nation's legal business was needed. In 1870 the Attorney General was made chief legal officer and advisor, and the Justice Department was created to supervise the nation's law officers.

During the next few decades the Justice Department fostered three important developments: the creation of a permanent force of federal criminal investigators, the construction of a federal prison system, and the codification of the federal civil and criminal law. The Department also struggled among the competing legal departments of a growing number of federal agencies to define its authority and assume chief responsibility for the nation's legal affairs.



Solomon Sibley

At the beginning of the twentieth century, the budget for the entire United States Attorney's Office here in Detroit was about \$5,000. The United States Attorney had one Assistant United States Attorney and one Clerk. There were annually about 65 federal criminal cases, involving customs, tax and postal offenses and 41 civil cases, mostly customs cases. Judgments entered in favor of the United States totaled \$944.46 and, of this amount, \$197.24 was actually realized. World War I greatly increased the Office's legal responsibilities, which included draft registration

enforcement, espionage prosecutions and litigation in support of the war effort.

The ramifications of the 18th Amendment prohibiting liquor indelibly changed the Office and, indeed, all of federal law enforcement. Treasury agents from Washington, D.C. focused on the Eastern District of Michigan, where gangs of booze-running mobsters competed in sometimes deadly fashion to smuggle the alcohol across the Detroit River from Canada to gang members waiting in warehouses on the Detroit side. The liquor was then loaded in trucks which distributed it throughout the Midwest. In Michigan, Prohibition was not only a failed social experiment but one which fostered the creation of organized, and often violent, groups of criminals and led to the

corruption of public officials, massive congestion in federal courts, and, worst of all, a pervasive disrespect for the law.

In 1932 Prohibition ended, but the increased function of the federal government and the United States Attorney's Office in public life continued. In virtually every significant development in the history of Eastern Michigan, the United States Attorney's Office has had a role in the form of representing the United States in court and enforcing the nation's laws. When President Roosevelt created a host of new, federal programs to respond to the country's economic crisis, the United States Attorney's Office was responsible for supporting these efforts in litigation and providing advice to the local offices of the administrative departments. During World War II, the Office's ten attorneys and twelve support staff worked twelve-hour days handling cases involving selective service, alien registration, and land condemnation for military purposes, as well as criminal prosecutions for harboring the enemy and other, more routine, criminal offenses.

A nineteenth century United States Attorney would be shocked at the increase in the size and complexity of the Office during the last half of the twentieth century. The enforcement of federal law and the assertion and defense of federal interests in civil litigation takes a wide variety of forms and has required increased specialization and improved technology. The increased sophistication of the Office's cases required the division of the Office into Civil, Appellate, and Criminal Divisions. The Civil Division was subdivided into Defensive and Affirmative Litigation Units. The Criminal Division was composed of the General Crimes, Economic Crime, Controlled Substance, Special Prosecutions, and Organized

Crime Strike Force units. More recently, the Organized Crime Strike Force has merged with the Special Prosecutions Unit, and, in response to the attacks of September 11, 2001, a Counter-Terrorism Unit has been established.

During the 185 years of the Office's existence in this District, the 53 United States Attorneys and hundreds of Assistant United States Attorneys and staff members have promoted a tradition of uniform treatment for all those whose interests have been affected in criminal and civil cases. They have sought to protect every person's right to fair procedures and a meaningful day in court and to a result which is reasoned and based on the rule of law of this nation. As the Office moves into the new century, this tradition of integrity and dedication will sustain the next generation of attorneys and staff members who are privileged to represent, and to be accountable to, the citizens of the District.

Excerpted from *The History of the United States Attorney's Office*,
by Assistant United States Attorney Ross Parker



First Federal Building in Detroit

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OFFICE STRUCTURE

Criminal Division

Assistant U.S. Attorneys in the Criminal Division are assigned to one of five units, each responsible for prosecuting certain categories of federal crimes.

The largest single unit is the Controlled Substance Unit which prosecutes major narcotics traffickers with an emphasis on conspiracies responsible for importation and distribution of substantial quantities of illegal drugs. The majority of attorneys in this unit are members of the Great Lakes Region of the Organized Crime and Drug Enforcement Task Force. The task force conducts investigations of selected conspiracies with the emphasis on detecting and seizing the financial assets of major drug traffickers.

The Economic Crimes Unit conducts investigations and prosecutions of a wide variety of white collar crimes, including large-scale fraud upon businesses and individuals, large-scale fraud involving identity theft, fraud upon government programs, health care fraud, corporate fraud, computer crime, and criminal intellectual property violations. The cases handled by this unit frequently involve lengthy investigations, complex financial analysis, and voluminous document examination.

The General Crimes Unit is responsible for a wide variety of offense categories, including firearms, immigration, bank robbery, embezzlement, counterfeiting, smuggling, food and drug, and Postal Violations. It is a higher volume unit, and many of the newer prosecutors are assigned to this component.

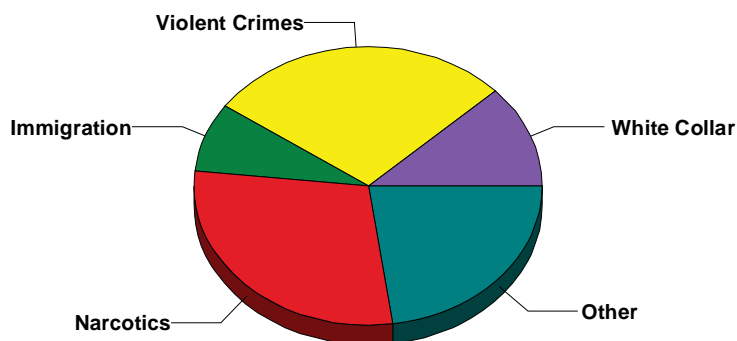
The Special Prosecutions Unit prosecutes corruption by public officials, offenses committed by traditional organized crime networks and emerging organized groups involved in criminal

activity, environmental offenses, criminal violations of civil rights laws, and non-drug money laundering.

The Counter-Terrorism Unit investigates and prosecutes matters involving national security including individuals and organizations that engage in foreign counter-intelligence, espionage, and those who plan, financially support, or carry out international and domestic terrorist activities. The unit also has primary responsibility for coordinating the investigation and prosecution of certain transnational organized crime groups involved in alien smuggling, cash smuggling and the operation of illegal unlicensed money transmitting businesses.

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Criminal Cases Filed Fiscal Year 2005



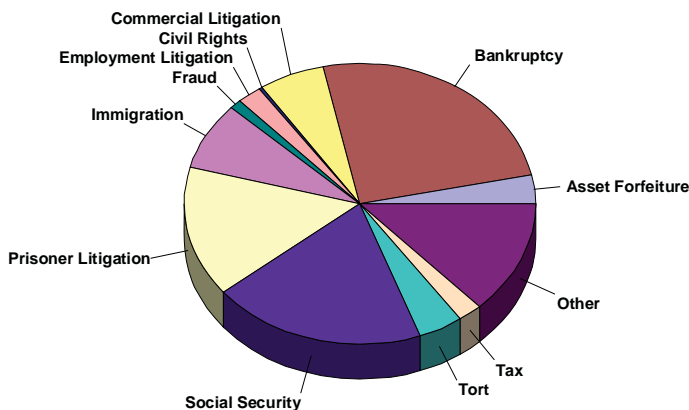
Civil Division

The Civil Division handles an extensive civil case load consisting of the largest number of actively pending federal litigation files to be found among the major law firms in the metropolitan area. The Civil Division is divided into two components.

The Affirmative Litigation Section is responsible for all civil cases in which the United States is seeking some type of monetary recovery and/or compliance with federal program requirements. This component handles judgment enforcement, civil penalty cases brought by various federal agencies, bankruptcy, asset forfeiture, environmental enforcement, and various civil fraud cases.

The Defensive Litigation Section defends lawsuits brought against the federal government. These suits include Constitutional torts, medical malpractice, and other tort actions, defense of federal programs and agency decisions, employment discrimination cases, information law cases, immigration cases, and commercial, social security, prisoner, environmental, civil rights, and tax litigation.

Civil Cases Filed Fiscal Year 2005



Appellate Division



Appellate Division Staff

The Appellate Division serves as the editorial board of review for the entire office. The Assistant originally assigned to a case generally remains responsible for that case during its entire life in the office. In criminal cases, this means from the onset of an investigation through the grand jury investigation, indictment, trial, appeal, and even post-conviction claims. In the Civil Division, it means from the beginning of the lawsuit through judgment enforcement and appeal. All appellate briefs, however, are reviewed by the Appellate Division both for soundness of legal analysis and for correctness and effectiveness of form. Assistants in the Appellate Division also directly handle both criminal and civil appeals in sensitive or difficult cases. In addition, the Appellate Division acts as "house counsel" to the U.S. Attorney and other Assistants on complex or unusual legal issues.

Administrative Division

The Administrative Division is responsible for planning and executing a comprehensive range of administrative services that support office operations. These services include overseeing the office's budget allocation, providing comprehensive personnel services to employees, maintaining information technology systems, coordinating automated litigation support



Administrative Division Staff

services, procuring supplies and equipment, and managing property and facilities at three separate staffed office locations (Detroit, Flint and Bay City).

The Fiscal Unit manages the office's operating budget. This entails executing, monitoring and reporting quarterly on budget activity and ensuring that any unexpected expenditures are funded through special one time funding requests. The unit manages the office's credit card programs for both travel and small purchases. The unit also is responsible for managing the payroll budget to ensure that hiring decisions are within allocated funding levels. On an ongoing basis, the budget is closely monitored to ensure that payments are made in a timely manner and that funds are allocated in the best way to meet the office's operational needs, especially in the area of litigation.

The Human Resources Unit provides a myriad of personnel services to support a staff of approximately 200 employees. The scope of the office HR program includes the following: staffing and placement; classification and position management; employee benefits and services; performance management; pay administration; personnel action processing, records maintenance and associated legal reporting requirements; pre-appointment security clearances; overall monitoring of employee orientation, training and development; development and implementation of AA/EEO programs; advisory services for supervisors and managers.

The Information Technology Unit oversees operation of this office's computer systems. A large local area network that connects almost 200 PCs in the office is maintained by the unit. A help desk is staffed to assist users with hardware, software and telecommunications difficulties. The IT unit's webmaster maintains an internal intranet to provide on-line resources to the entire staff, as well as the District's Internet site. The Information Technology unit provides technical oversight of the office's case management system. This information database (also known as the "LIONS" system) tracks defendants coming into the federal legal system.

The Automated Litigation Support Unit is responsible for recommending, supporting, and educating employees on the use of technology to further the Eastern District of Michigan's efforts in various criminal and civil matters. The goal is to increase efficiency, decrease costs, and facilitate user-friendly data management and presentation. One of the unit's essential functions is consulting with Assistant U.S. Attorneys, paralegals, legal assistants, and federal agents/investigators to understand and address their software and hardware needs in managing and presenting documents and evidence. The ALS unit balances the requests of the litigation team with its capabilities, and provides a reasonable, automated approach to litigation management.

The Office Services Unit manages any necessary redesign of existing space and is responsible for ensuring that every square foot of space in the office is used with maximum efficiency. Staff assigned to Office Services assist in the acquisition, operation and maintenance of all non-computer equipment, supplies and services, control an extensive property inventory, and coordinate records management functions. The unit also manages the receipt/delivery of mail and reception services. Finally, the unit provides direct support to the District's Security Manager and ensures that all physical security systems are maintained and all personal and records security requirements are met.

Branch Offices

Branch offices in Bay City and Flint represent the office in litigation for the Eastern District north



Bay City, Michigan Office

of Metropolitan Detroit. The operations of each branch office are under the supervision of a senior supervisory AUSA. The Assistant U.S. Attorneys in Flint and Bay City are responsible for a range of civil, criminal and appellate matters.

The Bay City Branch Office is responsible for the Northern Division of the Eastern District. The Northern Division includes 21 counties in the northeastern portion of the lower peninsula of the state that extends from Saginaw County at the southern end to Cheboygan County at the northern end. The criminal cases range from petty offenses committed in the Huron National Forest to any homicides that occur in the Saginaw-Chippewa Indian Reservation located near Mt. Pleasant, and includes any other federal crimes committed within its geographical area. The Bay City office is staffed by three AUSAs and four support personnel.

Located approximately an hour and a half north of Detroit, the Flint Branch Office represents the government in all criminal and civil litigation arising in Genesee, Lapeer, Shiawassee and Livingston counties. The most frequent prosecutions are controlled substance offenses and general crimes. In recent years, the Flint office has prosecuted an increasing number

of financial institution frauds; prescription drug mills; medical billing frauds; and Internet child pornography offenses. The Flint Branch also supports two “Weed & Seed” programs, and is active in Project Safe Neighborhoods. The office is staffed by four AUSAs; three support staff and a student trainee. Two Genesee County Assistant Prosecutors have been appointed as Special Assistant United States Attorneys to prosecute illegal firearms offenses.



United States Courthouse, Flint, Michigan

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**2005 CASE
HIGHLIGHTS**

COUNTER-TERRORISM

***Hizballah Fund-raiser Sentenced
to 54 Months for Providing
Material Support to a Foreign
Terrorist Organization***

Mahmoud Youssef Kourani pleaded guilty to charges of conspiracy to provide material support to Hizballah, which has been designated as a foreign terrorist organization. Kourani was sentenced to 54 months' imprisonment. The evidence showed that the defendant organized and hosted meetings at his Dearborn residence, featuring speakers from Lebanon, during which the participants were solicited to make donations to Hizballah. The money solicited by Kourani was intended to support Hizballah's "Orphans of Martyrs" program to benefit the families of those killed in Hizballah terrorist operations or by Hizballah's enemies. *United States v. Kourani*

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***Baggage Screener Convicted of
False Statements During
Background Check***

Sadeq Naji Ahmed, a baggage screener at Detroit Metropolitan Airport, was convicted by a jury on charges of making false statements on his security background investigation, and was sentenced to 18 months' imprisonment. The defendant falsely stated that he had never had a security clearance suspended, when in fact, his clearance and his access to classified information were suspended in 2001 when he was a member of the U.S. Air Force at Elgin Air Force Base in

Florida. He was also found guilty of falsely stating that he had not left a job under unfavorable conditions when, in fact, he had left the Air Force because he had made statements that U.S. aircraft flying over Iraq should crash, that he supported Usama bin Laden, that he was neither for nor against the September 11, 2001 terrorist attacks, and that he would not fight with the U.S. military if the United States took action against Iraq. His employment with the Transportation Security Administration was terminated. *United States v. Ahmed*

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***Father and Son Sentenced in Bank
Fraud, Money Laundering Scheme***

Ahmad Musa Jebril and Musa Abdallah Jebril, son and father, were sentenced to 70 and 58 months' imprisonment, respectively. Both were convicted at trial in November 2004 on charges of conspiracy, bank fraud, mail fraud, wire fraud, Social Security fraud, money laundering, failure to file income tax returns, and being felons in possession of firearms and ammunition. The jury also issued a special verdict finding 13 real properties were forfeitable and entered a money judgement of \$200,000. Both defendants were later charged with jury tampering in connection with their trial. Evidence presented to the Court at the time of sentencing showed that the defendants had supported violence against the United States. *United States v. Jebril*



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***Man Convicted of Threatening to
Bomb Federal Courthouse***

Defendant Vassalo K. Russell pleaded guilty to charges of threatening to use a weapon of mass destruction against U.S. government

property. In the summer of 2004, the defendant made three separate bomb threats against the Theodore Levin U.S. Courthouse, the same building in which he later pleaded guilty. The defendant made the threats in an effort to avoid appearing at his court hearings scheduled on those dates on a probation violation for a prior bank fraud conviction. *United States v. Russell*

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Two Charged in Separate Threat Cases Targeting Muslims

Defendants pleaded guilty in separate cases to charges of sending threatening email messages to the Islamic Center of America in Detroit. John Barnett pleaded guilty to sending a message that threatened to “hunt” and “kill” those attending the mosque based on their religion. Michael Bratisax pleaded guilty to sending a message stating that he would “pray to get the opportunity to kill a Muslim.” Both were awaiting sentencing at the end of 2005. *United States v. Barnett* and *United States v. Bratisax*

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MAJOR NARCOTICS CASES

Three Physicians and a Pharmacist Face Charges for Illicit Drug Distribution

Stuart Bilyeu, Elena Perry-Thornton, and Mukunda Mukherjee all licensed physicians, and Oliver Obi, a licensed pharmacist, were all charged in separate indictments for illegal drug distribution. Obi was convicted and sentenced; the others are awaiting trial.

Bilyeu, a medical doctor, was indicted in 2005 for knowingly dispensing and prescribing controlled substances for other than legitimate

medical reasons during the operation of his medical practice at the Down River Pain Clinic. Bilyeu is alleged to have prescribed and dispensed hundreds of thousands of dosage units of frequently abused pain medications such as Vicodin, OxyContin, morphine and Dilaudid. In 2003, Bilyeu was the second largest physician purchaser of Vicodin in the State of Michigan, and the following year he was again the number one physician purchaser of Vicodin in Michigan and ranked number 14 in the entire United States. According to the indictment, Bilyeu repeatedly prescribed controlled substances to an undercover patient with minimal or no examination, without significant complaints of pain, after learning that the patient was trading the pills for sex. Patients and relatives of patients have complained that Bilyeu was involved in more than one patient overdose and one patient overdose death. Trial is scheduled for 2006. *United States v. Bilyeu*

Elena Perry-Thornton, M.D., was indicted in 2005 on 20 counts of illegally prescribing prescription drugs, including OxyContin. Contrary to law, at various times Perry-Thornton allegedly operated her office out of an apartment in the Harbortown Apartment complex, her residence, and also out of a used car lot on Junction Street, all in the City of Detroit. In eight months, Perry-Thornton prescribed approximately 80,464 dosage units of OxyContin, 164,379 dosage units of Vicodin, and 71,282 dosage units of Xanax – the OxyContin alone having a minimum street value of approximately \$3,200,000. Perry-



Controlled Substance Unit

Thornton's "patients," according to the indictment, were receiving and/or filling consecutive prescriptions for OxyContin on the same day or within a few days, as well as using different pharmacies. Perry-Thornton is also alleged to have written multiple prescriptions for controlled substances to "runners" in the names of "patients" without ever having either met or examined such "patients." Perry-Thornton is scheduled for trial in

2006. *United States v. Perry-Thornton*



L i c e n s e d pharmacist Oliver Obi, owner of the Sherwood Community Pharmacy, pleaded guilty and was sentenced to 87 months in prison for illegally selling millions of dosage units of prescription drugs from his

pharmacy. Obi worked with a small number of trusted pill dealers and would take orders for thousands of dosage units of controlled substances. Obi never required a prescription, but would simply sell the drugs in bulk in the original manufacturer's bottles. In 2001, the investigation showed, Obi ordered and received 173,003 dosage units of 60 milligram doses of acetaminophen with codeine. This order was more than 70 times the national average for a pharmacy to dispense. Obi also ordered 1,012,600 7.5 milligram dosage units of hydrocodone, commonly known as Vicodin. This purchase pattern was more than 65 times the national average for a pharmacy to dispense. Obi ranked 3rd in the entire United States for the purchase of these two drugs, which are commonly diverted from legitimate use to illegal street sale. One witness described using a duffel bag to carry the drugs out of the defendant's pharmacy. The

court ordered Obi to forfeit approximately \$1.6 million in cash, real estate and cars. The case is currently on appeal. *United States v. Obi*

Mukunda Mukherjee, M.D., was determined to have written more prescriptions for 80mg OxyContin than any other physician or hospital in the state of Michigan for an 18-month period in 2003-04. He was indicted in 2004 for distributing schedule II, III, and IV prescription drugs for no legitimate purpose, and has been in custody since June 29, 2004. Forfeiture of assets worth about \$169,000 was also charged in the indictment. Trial is set for early 2006. *United States v. Mukherjee*

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"Black Mafia Family" Drug Organization Charged in Large Scale Drug Ring

Terry Flenory, Demetrius Flenory, and 23 other defendants were indicted on various federal drug and money laundering charges. According to the indictment, the Flenorys have allegedly been operating a drug organization, sometimes known as the "Black Mafia Family" (BMF), which dealt in multi-kilo quantities of cocaine in the Detroit metropolitan area beginning in the early 1990's. The organization is alleged to have distributed in excess of 476 kilograms of cocaine and laundered in excess of \$270,000,000 in U.S. currency. By the mid-1990's, the organization extended into other parts of the country. As part of the conspiracy, BMF would use vehicles equipped with traps and hidden compartments to conceal and transport cocaine and the cash generated from the sale of cocaine. Drug proceeds were laundered through the purchase of luxury vehicles, real property, cashier's checks, and, in an unusual scheme, over \$1 million in winning lottery tickets. Law enforcement officers from across the country have seized over \$5 million in

cash from the Flenorys' drug organization. This case is awaiting trial. *United States v. Flenory et al.*

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Cocaine and Marijuana Multi-Million Dollar Criminal Enterprise Taken Down

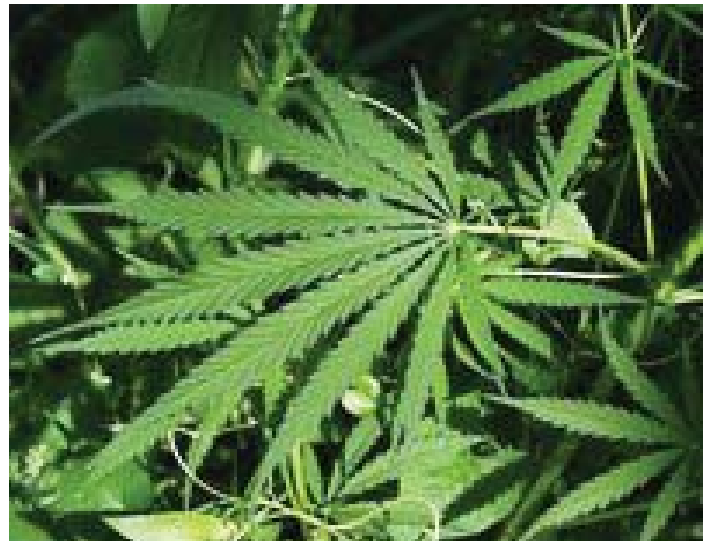
Alleged drug kingpin Quesand Lewis and 22 others were indicted in July 2005 on various drug trafficking and money laundering charges. Twenty-two of those individuals are charged with conspiracy to distribute marijuana and cocaine, and with money laundering from 1994 through the present. According to the indictment, the organization was responsible for two attempted murders in Detroit during the course of its operation. Quesand Lewis is charged as the principal supervisor operating a continuing criminal enterprise involving the distribution of marijuana and cocaine in Detroit and elsewhere, including more than 30,000 kilograms of marijuana, and generating illegal drug proceeds well in excess of \$10 million. The grand jury further charged Lewis with a forfeiture count in the amount of \$178,115,820, which was alleged to represent the gross proceeds he obtained from the sale and distribution of marijuana during a one-year period. This case first came to light in March of 2004, when the Novi Police Department seized approximately \$4.8 million in narcotics proceeds from a Novi hotel and from a residence in Northville. As a result of that seizure, Alexander Tam and Leonardo Montalvo were charged with participating in a conspiracy to distribute marijuana. Both men were convicted and sentenced to incarceration in a federal correctional institution. Evidence seized in Novi lead to the initiation of a court-ordered wiretap investigation involving more than twenty telephones utilized by

the co-conspirators. Several defendants have already pleaded guilty and others are awaiting trial. *United States v. Lewis et al.*

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"Canadian Connection" High Potency Marijuana Ring Busted

During 2005, ten members of the Canadian-based Trong Nguyen organization were convicted and sentenced for conspiracy to distribute marijuana, money laundering and bulk cash smuggling. Extradition is being sought for five additional defendants, including Trong Nguyen, who have been arrested in Canada. U.S. and Canadian law enforcement authorities have also seized and forfeited in excess of \$5 million in drug proceeds from this organization. In 2003 and 2004, law enforcement officials tracked a steady increase in the volume of marijuana smuggled into the United States from Canada, much of it across the Ambassador Bridge, the Windsor-Detroit tunnel and the Sarnia Blue Water Bridge. This marijuana – often referred to as "B.C. Bud" – is hydroponically grown at locations in Ontario, British Columbia and elsewhere. Because of its potency, Canadian-grown hydroponic marijuana can sell for over \$2,500 a pound in the United States. Canadian and U.S. law enforcement



officials also determined that elements of organized crime - in this case an Asian criminal organization made up primarily of Vietnamese nationals - were playing a central role in the sale and distribution of hydroponically grown marijuana, a highly lucrative business through which they generated millions of dollars per month in criminal proceeds. The target organization - headed by Trong Nguyen of Mississauga, Ontario - was able to coordinate the distribution and sale of over \$1 million of marijuana per month through associates located in Detroit, Minneapolis, Boston, Pittsburgh, Philadelphia and other locations across the United States. *United States v. Nguyen et al.*

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Saginaw Cocaine Traffickers Convicted After Gun Battle

James Sylvester, Fred Wyatt, Calvin Ayers and Corine Sylvester were indicted on cocaine trafficking charges after an investigation uncovered a multi-kilogram cocaine distribution conspiracy involving the shipment of the drug from California to Saginaw, Michigan using couriers who would travel by bus. On the final five-kilo shipment, a controlled delivery of the cocaine was made by Sylvester and he was arrested at the bus station. Officers then proceeded to the house that was the ultimate destination to conduct a search, and upon entering the house they were met by a hail of bullets. Two officers were wounded and two of the three shooters inside the house were killed. The surviving defendant was convicted by the state, while defendants Wyatt, Ayers and Corine Sylvester pleaded guilty in federal court.



Ayers was sentenced to ten years, but that sentence was reduced to 6 years based on his cooperation. Corine Sylvester was placed on probation for

two years. James Sylvester was convicted by a jury of twelve felony offenses relating to cocaine,

crack cocaine, marijuana, prescription drugs and firearms violations. Sylvester and Wyatt are currently awaiting sentencing. *United States v. Sylvester et al.*

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Seventeen Convicted in Scheme Involving Cocaine-Packed "Candles" Smuggled Via UPS

Riley Graham and sixteen others were indicted and convicted on charges arising from a large scale, long term cocaine distribution and money laundering operation involving in excess of 150 kilograms of cocaine and over \$1.5 million in proceeds. From about 1991 through 1998, the defendants would travel to and from California, Georgia, Pennsylvania, West Virginia, Tennessee, Ohio and Michigan to distribute large amounts of cocaine. To avoid detection, the defendants encased the cocaine in wax, compressed to hockey puck size, so that it looked like a large candle. The "candles" would then be shipped as a "special gift" with a box full of clothing to various clothing stores in the greater Detroit area that were purchased as business fronts. Later, they would place the cocaine "candles" in wicker gift baskets along with other such items to disguise them. A United Parcel Service (UPS) employee, who had been hired by the drug organization, would intercept the packages containing the drugs and deliver them. As part of the plan to hide the drug proceeds, top leader Riley Graham had various members of his organization transport or wire large amounts of drug money to an associate in Saint Lucia, West Indies, in an effort to build and develop the first casino resort on the island of Saint Lucia. *United States v. Graham et al.*

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"Joy Boys" Drug Gang Put Out of Business



Fourteen members of a Detroit drug gang called the "Joy Boys" were indicted on cocaine distribution charges. The "Joy Boys" specialized in selling crack cocaine on a "24/7" basis to customers who would call a "customer service" telephone number and arrange to meet at a particular street location on the west side of Detroit or in a near western suburb. The sale would be conducted while both the sellers and the buyers were in their cars. The method of operation has been referred to as a "mobile crack house." Undercover buys, aerial surveillance, video, search warrants and court-ordered wiretaps were used to investigate the gang. During the peak operating times, between October of 2002 and December 2003, almost seven thousand customer service calls per week were made to the organization, generating approximately \$30,000 daily in narcotics proceeds. As of October 2005, eleven defendants had plead guilty, one defendant is pending trial and two defendants are fugitives. *United States v. Smith ("Joy Boys" Drug Organization)*

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Combatting the Influx of "Ecstasy" from Canada

The Eastern District of Michigan has seen a dramatic increase in the importation of the powerful designer drug "Ecstasy" from Canada through the use of ports of entry at Detroit and Port Huron. In August alone, agents of the Immigration and Customs Enforcement seized approximately eight million dollars worth of Ecstasy pills. To combat this problem, the office has pursued an aggressive prosecution posture. The following are a few examples of significant prosecutions.

- In August, 2005, Barbara Williams, Nicholas Williams and Kandy Reeleder were all charged with conspiracy to possess with the intent to distribute Ecstasy. The Williams' had taken their automobile across from Canada on a small ferry in order to enter at the Algonac, Michigan port of entry. Inspecting ICE agents found that the back seat had been hollowed out and stuffed with approximately 21 vacuum-sealed bags containing over 200,000 Ecstasy pills with a street value of \$5,000,000. The defendants are detained pending their trial. *United States v. Reeleder et al.*
- In August 2005, Phi Lau was arrested at the Ambassador Bridge in Detroit after ICE agents found his fuel tank filled with 25 zip-loc bags filled with Ecstasy pills. The total number of pills was 2,000, with an estimated street value of approximately \$500,000. Mr. Lau is currently detained pending his trial. *United States v. Lau*
- Matthew Kachman and nine other individuals were indicted for smuggling tens of thousands of Ecstasy pills into Mid-Michigan from an Asian connection in Toronto, Canada. The pills were brought over the Blue Water Bridge to Port Huron by numerous individuals in private vehicles. All defendants have pleaded guilty and have been or are awaiting sentence. *United States v. Kachman et al.*
- In 2005, Chanh Chan Lao, a significant importer and distributor of Ecstasy into Michigan from Canada, was sentenced to 20 years in prison after being convicted by a jury in Bay City, Michigan. After a lengthy investigation by ICE and DEA, Lao, a Toronto resident, was arrested when he entered the United States. This case involved approximately 600,000 Ecstasy pills. *United States v. Lao*

WHITE COLLAR CRIME PROSECUTIONS



Economic Crimes Unit

MCA Execs Convicted in \$256 Million Corporate Fraud

Seven former high-level executives of MCA Financial Corporation (MCA) have been convicted of fraud for falsifying MCA's books and records and misleading investors, lenders, and regulators, resulting in losses to investors and lenders of over \$256 million. The main defendant, Chief Executive Officer Patrick Quinlan, was sentenced to ten years in prison in 2005. MCA, operating in Southfield, Michigan was a privately held mortgage company that made conventional and subprime loans to individual homebuyers in Michigan and several other states. These loans were sold to investors. From 1993 until its seizure by state regulators in January 1999, MCA engaged in a scheme to defraud by misrepresenting its true financial condition through the preparation and use of false and fraudulent financial statements that were regularly filed with the SEC and made available to brokers, investors, banks and other institutional lenders. As the result of paper transactions involving low-income housing in the City of Detroit between MCA and numerous off-book partnerships controlled by MCA's executives, millions of dollars in sham assets and revenues were created and included in MCA's balance sheets and statements of income. Losses to the victims of the MCA fraud – individual investors, banks, the pension fund for police officers and fire

fighters of the City of Detroit, and other institutional lenders – totaled about \$256 million. In 2001 and 2002, seven former MCA executive officers were charged with federal crimes. All seven have pleaded guilty to various combinations of wire fraud, mail fraud, making false statements to the SEC, conspiracy, and misprision of felony. Four have been sentenced to sentences ranging from two to ten years. The remaining three executives will be sentenced in early 2006. *United States v. Quinlan et al. (MCA)*

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Lason Officials Charged with Falsifying Records, Defrauding Investors

Three top executives from Lason, Inc., a publicly traded company headquartered in Troy, Michigan, were charged in 2003 in an indictment alleging that, from 1997 to 2000, they defrauded investors and potential investors, institutional lenders, and others of tens of millions of dollars by overstating and fabricating company revenues, understating its expenses, and fraudulently boosting its earnings per share numbers for the purpose of meeting or exceeding the quarterly consensus estimates of stock analysts. Lason, Inc. provided printing services, mail-processing service, and electronic information management services to hundreds of business customers, including automobile manufacturers, and operated units located throughout the United States and other countries. In August 2004, one of the defendants, Lason's former chief operating officer, pleaded guilty to participating in the filing of a false and fraudulent quarterly report (10-Q) for Lason with the SEC. He has also agreed to cooperate. The trial of the remaining two defendants is scheduled to begin in June 2006. *United States v. Monroe et al. (Lason)*

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Operation "Broken Loan": FBI Undercover Sting Busts Mortgage Fraud Scheme

Six defendants were indicted and fourteen others charged in criminal complaints charging them with fraud in connection with home mortgage loans. The losses involved over \$2.7 million. A two-year undercover operation run by the Macomb FBI uncovered several complex and extensive networks of individuals working within real estate markets to defraud lending institutions through the submission of fraudulent mortgage applications. These schemes include the use of false employment and asset information, straw buyers and collusive appraisers willing to create fraudulently inflated property appraisals. Most of the schemes were coordinated by mortgage brokers who recruit the participants and split the illegal proceeds, in various amounts between them. *United States v. Hooker, et al.*

Owner of Title Insurance Company Embezzles Nearly \$2 Million

Thom Hopper owned Klear Title, which held escrow monies in trust for Commonwealth Land Title Insurance Company. From January through April 2002 Hopper took about \$1,829,000 from this trust account; wired it to a personal account he controlled in Ottawa, Canada; and used it to purchase items for himself, including a Canadian race course and a down payment on the Tampa Bay Storm, an Arena Football team. Hopper pleaded guilty April 14, 2005, and is awaiting sentencing. *United States v. Hopper*

Phony "Credit Repair" Company's Officers Indicted

Four defendants were charged with 30 counts of mail fraud in connection with a phony "credit repair" company called ICR Services. They

claimed to have a "magic disk" that could access the computer data bases of the credit reporting services and erase all negative and derogatory information from the client's report. Over the course of the scheme approximately \$60 million was received from clients. No trial date is set. *United States v. Pavone et al.*

Two Arrested for Economic Espionage - Trade Secrets Theft

On February 1, 2005, two former executives from Metaldyne, Inc. were arrested on a criminal complaint charging them with stealing trade secrets relating to Metaldyne's proprietary powdered metal manufacturing process for making large auto parts, such as connecting rods. Metaldyne, Inc. of Plymouth, Michigan is one of only two companies in the world that has perfected this manufacturing process. According to the complaint, former Executive Vice President, Anne Lockwood and former Technology Director, Fu Ping Liu, unlawfully obtained secret computer files crucial to this powdered metal process in order to assist a Chinese parts manufacturer. *United States v. Lockwood, et al.*



Brothers Charged in Medicare Fraud, Bribery Scheme

Two brothers are charged in various counts of an indictment charging health care fraud; mail and wire fraud; conspiracy; making false statements related to a health care matter; and attempting to bribe federal law enforcement agents. According to the indictment, the defendants illegally sought reimbursement from Medicare for the salaries of their homemaker spouses who were falsely listed as health care provider managerial executives

on annual cost reports submitted to Medicare, as well as for marketers they paid to seek patient referrals from physicians' offices, but who were falsely described as performing reimbursable roles such as nursing and quality assurance. The defendants are charged with receiving Medicare reimbursements exceeding \$2,500,000 to which they were not entitled. In addition, the United States brought a civil case against one of the defendants who fled to Pakistan rather than face arraignment. As a result of this action, brought under the Federal Debt Collection Procedures Act, the United States was able to seize nearly \$1 million of the defendant's assets, prompting him to return to the United States and face prosecution. A jury trial is scheduled for early 2006. *United States v. Khan*

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*Attorney Indicted in
Commodity Futures Trading
Investment Fraud*

Northville attorney and real estate broker Charles Mady was indicted for mail and wire fraud; embezzlement from a commodity pool; being an unregistered commodity pool operator; and money laundering. According to the indictment, during a 28-month period, Mady solicited over \$12,000,000 from at least 30 people for the purpose of pooling their funds and using the money to trade in the commodity futures markets.



Mady allegedly lied about his trading record (his consistent losses eventually exceeded \$4,000,000) and also took over \$3,000,000 of investor funds for his own personal use, while giving false documents to his investors. The indictment alleges that, as a result of these acts, defendant caused his investors to lose a total of over \$8,000,000. While awaiting trial on these charges, Mady was re-indicted for making various false statements to another victim, causing him

to grant Mady access to the individual's private electronic security trading account, and allowing Mady to incur over \$1,000,000 in trading losses in the victim's account. *United States v. Mady*

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*Doctor and Eight Others Charged
with Defrauding Blue Cross-Blue
Shield*

Detroit doctor Zack Brown, M.D., and eight others were indicted for health care fraud in connection with a scheme to recruit at least 34 "phony patients" that bilked Blue Cross-Blue Shield of Michigan (BCBSM) out of more than \$1 million. The "phony patients" would allow Dr. Brown to bill their BCBSM cards for treatments they never received, then take a share of the reimbursement paid by BCBSM. In addition to Dr. Brown, others acted as recruiters who were paid to find the "phony patients." Defendants billed BCBSM for more than 20,000 physical therapy services and injections between 1999 and 2003 that were never actually provided to patients. Seven other defendants have already pleaded guilty and 19 have signed pre-trial diversion agreements and begun paying back more than \$100,000 in restitution. *United States v. Brown et al.*

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*Federal - State - Local Task Force
Fights Identity Theft*

The Detroit Metro Identity Fraud - Task Force (DMIF-TF) was formed in 1999 with the goal of maximizing law enforcement and prosecution resources to target individuals and organizations involved in the production and use of counterfeit means of identification, identity theft and account takeovers. The Federal Bureau of Investigation, the United States Postal Inspection Service, the United States Secret Service, and the Social Security Administration - Office of Investigations

have joined with state and local agencies, including the Michigan State Police, the City of Troy Police Department and the City of Auburn Hills Police Department to create a powerful law enforcement response to ID theft crimes. Other state and local law enforcement agencies provide investigative assistance on a case by case basis. Target Corporation also provides a full-time fraud investigator to the task force. Since its inception in 1999 through September 2005, DMIF has executed over 114 search warrants, brought 110 indictments, and arrested 293 defendants.

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VIOLENT CRIMES



General Crimes Unit

Six Charged in Murder of Armored Security Guard

In October 2005, six men, Timothy Dennis O'Reilly, Norman Duncan, Kevin Watson, Earl Johnson, Archie Broom and Khayyam Wilson, were indicted for a number of crimes including premeditated murder with a firearm during and in relation to a crime of violence, to wit: Bank Robbery. The indictment alleges that these individuals ambushed and shot Norman Anthony Stevens, a Total Armored Service guard and a father of six while he was restocking the ATM machine at a Dearborn Michigan Credit Union. Approximately \$204,000 was taken during the robbery. Defendants are also charged with a second robbery of a Guardian Armored Security

Services vehicle in a similar manner. This time, however, the victim driver was able to run to safety after having been shot at. The defendants used a stolen minivan as a getaway vehicle and netted approximately \$170,000. All defendants are currently detained and are awaiting trial. *United States v. O'Reilly et al.*

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Ypsilanti Drug Ring Charged with Murder and Conspiracy

Ten defendants have been charged with conspiracy to distribute controlled substances and use of a firearm during drug trafficking offenses, resulting in murder. The indictment alleges that the charged individuals conspired to run a drug organization which operated in the Ypsilanti area from 1998 through 2004. As part of the conspiracy and in an effort to protect their profits, seven of the defendants, were charged with killing Seth Thompson, a rival drug trafficker, as a means of eliminating competition. All defendants are currently awaiting trial. *United States v. Taylor et al.*

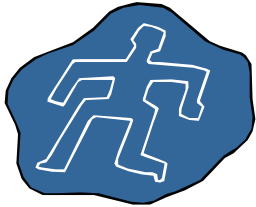
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Latin Counts Street Gang Charged with Drug Trafficking and Murder

Twenty-nine members of the Mario Mendez crew, part of the Latin Counts street gang, were indicted on charges of drug conspiracy and firearms violations related to six home invasions which occurred in Southwest Detroit. The Latin Counts is a gang organization which has long operated in Southwest Detroit. These activities include the killing of rival gang members or drug dealers, armed home invasions at locations alleged to have large amounts of drugs stored in them and numerous other forms of criminal activity, including witness intimidation. All

defendants have either pleaded guilty and/or are awaiting sentencing. *United States v. Mendez et al. (Latin Counts)*

The following two cases are examples of the excellent results from Project Safe Neighborhoods:



*Seven Indicted on
Methamphetamine,
Murder,
and Firearms
Charges*

Seven individuals were indicted by a federal grand jury in Bay City, Michigan in July, 2005 on charges of trafficking in over 500 grams of methamphetamine, in addition to firearm offenses and a drug-related homicide. Named in the 27-count indictment were Donald Norton York, David Warren Tice, Jr., Shelli Tice, Jonathan Patrick Rose, Sergio Coria, Matthew Tyler, and James Laughton. The indictment charges that York, Tice, and Laughton conspired to murder Brian "Lefty" Langdon in March of 2002 and that Rose violated federal firearm laws. Shelli Tice is charged with illegally possessing drugs. *United States v. York et al.*

*Defendant Sentenced to 151
Months on Firearms Conviction*

Omar Vaughn pleaded guilty on July 15, 2005, to one count of felon in possession of a firearm and one count of possession with Intent to distribute marijuana. The charges arose following an investigation and execution of search warrants by the DEA and Southfield Police Department at three locations. Three firearms (one stolen), and approximately 8,180 grams of marijuana, along with ammunition and narcotics paraphernalia were recovered during the execution of the warrants. Approximately \$32,000 in U.S. currency was seized and was forfeited in connection with this matter. Vaughn was sentenced to 151 months incarceration. *United States v. Vaughn*

**PROJECT SAFE
NEIGHBORHOODS**

Protecting neighborhoods from armed criminals is at the top of our public safety agenda. Project Safe Neighborhoods is designed to focus federal law enforcement and prosecution resources on serious offenders who present the most imminent threat to society based on their prior criminal history or the proclivity toward violence.

*Lifetime Probationer Sentenced to
420 Months Incarceration for Gun
and Drug Convictions*

Vincent Thompson was arrested following the execution of a search warrant by the Detroit Police Department at a residence in Detroit where suspected drug activity was occurring. Two days before the warrant was executed, Detroit Police Officers made a controlled purchase of narcotics from the location. Officers found 11.34 grams of crack cocaine, 33.28 grams of marijuana and a loaded 357 handgun. Thompson was on "lifetime probation" at the time of his arrest, and due to his significant criminal history, was sentenced to 420 months. *United States v. Thompson*

PROTECTING CHILDREN FROM EXPLOITATION

Man Charged in Connection with Commercial Exploitation of Children

On April 26, 2005, Karl Kaechele was arrested at Detroit Metropolitan Airport after returning to the United States from Vietnam and Cambodia. Following his arrest, illegal prescription drugs and a series of notebooks chronicling two or more years of child sexual assault and prostitution offenses were seized from his luggage. A subsequent search of his Florida home revealed additional evidence of international travel for the purpose of abusing children. Kaechele was indicted in May 2005 and is currently detained pending trial. *United States v. Kaechele*

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Couple Convicted of Abducting Minor and Coercing Prostitution

Clarence Brown and his girlfriend Holly Marie Hollis, under the pretenses of transporting a 14-year-old minor to her home, abducted the victim and transported her to Fort Wayne, Indiana, where she was forced into prostitution at a truck stop. In order to instill fear in the child, Brown raped the victim twice and otherwise physically abused her. The victim eventually escaped after a female truck driver befriended her and agreed to take her home. Hollis pleaded guilty to her role in the case and was sentenced to 46 months in prison. Brown was found guilty after trial and is currently awaiting sentencing. *United States v. Brown et al.*

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Child Predator Travels from Chicago to Abuse "Minor"

Karthikenyan Ramachandran, a resident of Chicago, Illinois engaged in a series of online conversations with an undercover Deputy of the Macomb County Sheriff's Department whom he believed to be a 15-year-old girl. Ramachandran indicated his desire to engage in sexual activities with the girl as well as smoke marijuana. During one of the online conversations, Ramachandran sent an image of his genitals using a webcam connected to his computer. As a result of the online conversations, Ramachandran traveled from Chicago to a park in Mount Clemens, Michigan to meet who he thought would be a 15-year-old girl. Instead, Ramachandran was met by officers of the Sheriff's Department who arrested him. Ramachandran had in his possession at the time of his arrest a bottle of wine, a quantity of marijuana and condoms. Ramachandran is currently awaiting trial. *United States v. Ramachandran*

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Indiana Man Indicted for Attempted Sexual Conduct with a Minor

Kent Guest, a Frankfort, Indiana resident was indicted on charges of interstate travel for the purpose of engaging in illicit sexual conduct with a minor in 2005. According to the indictment, Guest began communicating through instant messages and email with an undercover FBI agent who was posing as a 39-year-old divorced female interested in a relationship that would involve sexual activity with her daughters, ages three and five. During some of the online conversations, Guest made references to his sexual interest in children as well as discussing preparing a child for intercourse. Guest made



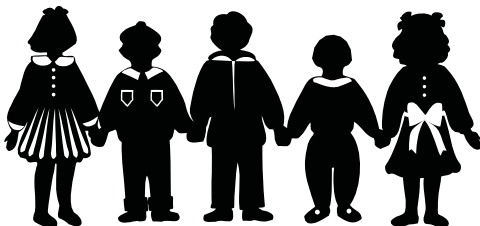
arrangements to meet with the person he thought was the divorced female. Instead, Guest was arrested by FBI agents once he arrived at the agreed upon destination. During an inventory search, agents discovered a bag containing the prescription sexual potency drug Cialis, a bottle of herbal sexual potency compound called "HGH Extreme" and three images emailed to Guest by the UC agent. Guest is currently awaiting trial. *United States v. Guest*

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Utah Child Sexual Predator Convicted

Jonathan Owens, a Roy, Utah resident pleaded guilty to charges involving interstate travel for the purpose of engaging in illicit sexual conduct with a minor and for interstate distribution of child pornography. In March and April of 2005, Owens engaged in a series of online conversations with an undercover FBI agent whom he believed to be a single mother of two young daughters, ages three and five. He indicated a desire to engage in sexual contact with the children, as well as their mother. During the series of online conversations, Owens, on one occasion, sent images of child pornography to the undercover agent. As a result of the conversations Owen, in connection with a business trip to Oklahoma, planned to travel to Detroit, Michigan to meet with the woman and her daughters. Upon his arrival at the Detroit Metropolitan Airport, Owens was arrested by FBI agents. Owens is currently awaiting sentencing. *United States v. Owens*

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CHILD PORNOGRAPHY

Man Convicted on Child Pornography Charges

Kirk Surant was convicted by guilty plea to interstate shipment/receipt of child pornography and possession of child pornography. Surant used Yahoo groups to communicate with Angela Larkin of Williamsport, Pennsylvania, who sent Surant child pornographic images of Larkin's daughter, age two. Surant's seized computers were found to contain these images as well as more than 600 other images that depicted children less than 12 years of age, as well as images of violence and sado-masochism. Surant is currently awaiting sentencing. *United States v. Surant*

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Defendant Pleads Guilty to Using Yahoo Group to Distribute of Child Porn

Daniel Floied pleaded guilty to interstate distribution of child pornography. In October 2003, Floied joined various Yahoo groups that permitted him to purchase, upload and download child pornographic images. While participating in the group titled "tnl 24", Floied uploaded 35 child pornographic images and made them available to other members of that group. The images contained depictions of children less than 12 years of age. Floied is currently awaiting sentencing. *United States v. Floied*

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Royal Oak Man Awaits Trial for Possession of over 10,000 Child Porn Images

Robert Kent was indicted on a charge of possession of child pornography. A search of Kent's residence in Royal Oak, Michigan yielded one computer, one floppy disk and 38 compact disks. More than 12,000 images of child pornography or images belonging to a child pornography series were found in allocated space on Kent's computer and on the other examined media. The images primarily consisted of prepubescent female children posing nude and engaging in sexually explicit acts, alone and with other adults and children. Additionally, Kent's computer directory structure displayed a high level of organization, categorizing all of the child pornography images into specific, descriptive folders by age and picture series. Kent is currently awaiting trial. *United States v. Kent*

as to his real estate holdings and financial status. He has pleaded guilty and is currently awaiting sentencing. *United States v. Wirth*

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Tax Preparer Sentenced in Multiple False Return Scheme



April Jones was convicted by a jury on 31 counts of aiding and assisting in the preparation of false federal income tax returns. Jones gained larger refunds and minimized tax liabilities through her tax service for co-workers at a local auto plant and their referrals. She did this by adding fictitious job search deductions, gifts to charity, and un-reimbursed employee expenses, causing the Internal Revenue Service to suffer a tax loss of over \$70,000. In most cases, Jones failed to sign the returns

as the preparer even though she was collecting a fee. At sentencing, the court determined that her relevant conduct, involving 58 additional tax returns, led to a total tax loss of over \$244,000. Internal Revenue Service Criminal Investigation Division became aware of Jones' activities during their investigation of Maquilla Yvonne Squire, of Detroit, Michigan, another local auto plant employee. During questioning, many of the taxpayers who utilized Squire's services, identified Jones as the return preparer on their subsequent tax returns. Squire was sentenced to 27 months' imprisonment as the result of pleading guilty to two counts of aiding and assisting in the preparation of false and fraudulent tax returns, after creating over \$730,000 in false deductions. April Jones was sentenced to 35 months in prison followed by one year supervised release. *United States v. Jones et al.*

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TAX FRAUD

Mobile Home Park Owner Convicted of Tax Fraud

Timothy Wirth was involved in the mobile home park business. He submitted a series of false bank loan statements to different lending institutions in order to obtain ever-increasing amounts of credit. Included in the false submissions were IRS returns Wirth had supposedly filed, but hadn't. On at least one occasion he forged the signature of an income tax preparer on such a return. He also forged the signatures of individuals he had a land contract with, as well as the signature of two bank officials and a notary on various real property instruments. He then recorded the instruments in order to create a false impression

PUBLIC CORRUPTION and SPECIAL PROSECUTIONS



Special Prosecutions Unit

Former County Prosecutors, Police Chief Charged with Firearms Offenses

A Bay City grand jury returned indictments against three former local officials charging them with abusing their offices in order to personally obtain and possess machine guns and silencers. Fred MacKinnon and Gary Theunick used their positions as county prosecutor and chief assistant prosecutor, respectively, to buy several such firearms by claiming that the purchases were being made by the prosecutor's office as a law enforcement agency rather than in their personal capacity. Maxwell Garnett, who was then the chief of police of Rose City in Ogemaw County, likewise claimed that the machine guns and silencers were being purchased by and for the police department when he was actually buying the firearms for himself and his associates. All are awaiting trial. *United States v. Theunick et al.*

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Wayne County Former Official Sentenced in Bribery Scheme

Wilbourne A. Kelley, III, of Detroit was sentenced to 44 months in prison, a fine of \$30,000, and restitution of \$113,413.66 to Wayne County as a result of his 2004 convictions for conspiracy, extortion, federal program bribery, and making false statements to federal agents. Kelley's wife, Barbara Kelley, 57, of Detroit, was also sentenced to 41 months in prison, a fine of \$30,000, and restitution of \$91,516 to Wayne County for her convictions on conspiracy, extortion, federal program bribery, money laundering, and making false statements to federal agents. From 1987 until 1999 Wilbourne Kelley was Wayne County's Deputy Chief Operating Officer assigned to the Office of the County Executive, responsible for the operation of Detroit Metropolitan Airport. The evidence at trial showed that Kelley and his wife conspired to wrongfully obtain money and property from companies which did business with the airport. *United States v. Kelley*

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Former Federal Immigration Official Convicted of Stealing From Detainees

Patrick M. Wynne, a former detention officer responsible for housing illegal immigrants, entered a plea of guilty to stealing cash and other property from hundreds of illegal immigrants between 2000 and 2004. During that time Wynne was also the property officer for the INS/ICE detention facility in Monroe, Michigan. In that position, Wynne had been entrusted with maintaining property belonging to hundreds of individuals who were kept in custody pending deportation from the United States. It was Mr. Wynne's duty to ensure that the property was secure and was returned to the rightful owner at the time he or she was released from custody. Instead, Mr. Wynne stole as much as \$290,000 from more than 500

detainees. The underlying investigation resulted in a review and a restructuring of the procedures used by the Detroit Office of the Immigration and Customs Enforcement Division to document, maintain and return property seized from illegal immigrants. *United States v. Wynne*

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*Detroit Police Officer Found
Guilty of Stealing Cocaine from
Property Room, Sentenced to 220
Months in Prison*

Former Detroit Police officer Donald Hynes was convicted in March 2005 for his part in the theft of over 100 kilograms of cocaine from the Detroit Police Department evidence vault, and associated money laundering and obstruction of justice offenses. Seven codefendants pled guilty in 2004, including the main coconspirator, John Cole. The evidence at Hynes's trial showed that Hynes had access to the computer password of a Narcotics Division lieutenant, which he used to change the computer records of seized cocaine to designate that it should be destroyed rather than retained. John Cole then picked up the cocaine for "destruction," but instead sold it and used the proceeds to buy houses and other properties. Cole concealed his ownership of the properties by putting them in the names of relatives and associates. Cole, who testified against Hynes, was sentenced to 180 months in prison. Hynes was sentenced to 220 months. In addition, eighteen properties (valued at over \$700,000) as well as cash and automobiles were forfeited. The case was investigated jointly by the FBI and the Internal Revenue Service Criminal Investigation Division. *United States v. Hynes*

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*19 Convicted in Large-scale Public
Corruption Schemes in East
Detroit and Clintondale
School Districts*

Nineteen defendants involved in a corrupt payment scheme were sentenced in connection with charges brought relating to a pattern of corrupt practices involving both the East Detroit Public Schools and the Clintondale Community Schools. The investigation began with the complaints of two newly elected board members at East Detroit Public Schools who perceived a corrupt relationship between Hudson Construction – the construction manager on a \$30,000,000 bond project – and the district superintendent, several administrators and fellow board members. The execution of several search warrants revealed a pattern of corrupt activities, including kick backs and payments for work that was not performed. As a result of this investigation 19 defendants, including numerous school administrators, elected board members and building and service contractors either pleaded guilty or were convicted of various federal law violations. These included seven school administrators, three school board members, seven contractors, one revenue officer employed by the Internal Revenue Service, and one inspector employed by Macomb County. *United States v. Hudson et al.*

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Chippewa Valley Principal Convicted of Stealing \$400,000

Former Chippewa School District elementary school principal Richard Zaranek pled guilty in October 2005, to embezzlement and money laundering for funneling approximately \$400,000 from the school's child care and parent teacher organizations into his personal accounts. The plea agreement requires Zaranek to serve at least 27 months in prison and forfeit property, including equity in his primary residence, to repay the school. *United States v. Zaranek*

Three River Rouge School Administrators Convicted for Stealing from Employees, School

River Rouge Schools Superintendent Benjamin Benford pleaded guilty to extorting approximately \$23,000 from school administrators working under him in the school district. Benford did so by requiring that each administrator pay him a certain amount of cash on his birthday, at Christmas, at the time of school board elections, and on Bosses' Day. Benford was sentenced to 15 months' imprisonment and ordered to pay full restitution to the affected administrative staff members. While Benford was superintendent, he hired his friend Joseph Hudson to assist in running the school's television studio. Hudson then used that position to steal over \$200,000 from the school district between 2000 and 2002. Hudson went to trial and was convicted of all counts. Hudson is awaiting sentence. His sentencing guideline range is 27 to 33 months. Codefendant Leon Higgins, who assisted Hudson in defrauding



the district of over \$100,000, pleaded guilty and cooperated in the investigation. Based upon his cooperation, he received a sentence of probation and was ordered to pay full restitution, even though he only received \$10,000 from the fraud – the balance was retained by Hudson. *United States v. Benford, et al.*

Police Officer Convicted for Selling Drugs to Addicts, Webcasting Drug Usage

Detroit Police officer Ceiere Campbell was convicted by a jury in December 2004 for distributing crack cocaine and heroin. The evidence at trial showed that Campbell provided the drugs to addicts he found on the streets of Detroit, in exchange for the addicts allowing Campbell to film them as they used the drugs. Campbell then used the video footage on a pay-for-view website he created called "Streets Illustrated." In April 2005, Campbell was sentenced to 24 months in prison. *United States v. Campbell*

"Asian Spas" Charged in Prostitution Ring

After a lengthy undercover investigation led by the FBI, eight indictments were returned by a Flint grand jury against 13 defendants, including the principal operators of Asian "Spas" operated as fronts for prostitution activities in Genesee, Saginaw, and Midland counties. Charges included conspiracy; money laundering; and interstate travel in aid of racketeering, and each indictment also included counts seeking criminal forfeiture of assets. The prostitutes at these spas were not indicted; all were Asian nationals, some illegally in the United States. Charges were dismissed against one defendant who was mentally ill, and

another who died. Forfeitures totaling \$297,000 in cash and two residences were ordered by the court. *United States v. Kim, et. al.*

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CIVIL RIGHTS - CRIMINAL ENFORCEMENT

Human Trafficking Ring: Ukrainian Women Coerced to Work as Exotic Dancers

Michail Aronov, a Lithuanian citizen, pleaded guilty to charges that he conspired with others to compel Eastern European women to serve as exotic dancers in the metropolitan Detroit area in violation of federal law. Aronov also pled guilty to engaging in an immigration conspiracy involving the women, which included illegal recruitment, transportation, and harboring of the women. Finally, Aronov pled guilty to conspiring to launder the proceeds of the compelled servitude and immigration crimes. At the time of his plea, Aronov admitted that he and his partners operated a business enterprise from 2001 through 2005 called "Beauty Search, Inc.," premised on importing, brokering and managing Eastern European women who served as dancers at exotic dance clubs in the Southeast Michigan area, and that he and his partners held the women in a condition of compelled service and collected their earnings. Aronov admitted that he and his partners employed a number of coercive methods to compel and maintain the continued service of the dancers. Aronov's sentencing

guidelines range of imprisonment is 13½ to 16½ years. He agreed to pay restitution and forfeit at least \$537,043. *United States v. Aronov, et al.*

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Former Taylor Man Sentenced to Four Years for Arson Hate Crime

In July 2002, Lori and Reginald Doster bought and renovated a house in Taylor, Michigan. Just as they were finishing the renovations and about to move in, the house was subjected to an arson attempt. A rear bedroom window was broken, gasoline was poured in, and the gas was lit. The house suffered significant damage. The fire was part of a campaign to drive the Dosters, who are African American, from the neighborhood because of their race, as demonstrated by various other incidents such as "KKK" being spray-painted on their door. Michael Richardson, a former resident of the neighborhood, told acquaintances that he knew who set the fire, but when he was interviewed by the FBI, he denied having any such knowledge. He was charged with making a false statement and in July 2005 was sentenced to 48 months' imprisonment. Richardson was allowed by the court to turn himself in, and when he failed to do so on the designated date he was charged with failure to surrender. Trial on that charge is scheduled for early next year. *United States v. Richardson*

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Five Mt. Clemens Officers Convicted on Excessive Force/ Obstruction Charges

In July, 2002, five uniformed Mt. Clemens police officers were involved in the traffic stop of a vehicle operated by Robert Paxton. Paxton had just engaged in a "road-rage" incident with an off-duty Mt. Clemens officer, and the five on-duty officers stopped Paxton a few minutes later. They



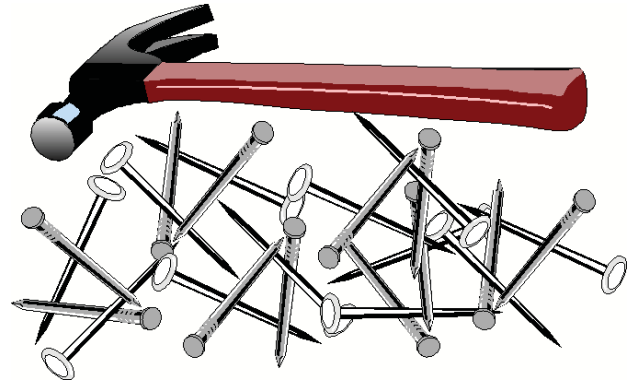
pulled Paxton from his vehicle, threw him to the ground and pinned him. He was then kicked and punched repeatedly, before being thrown into a police car and taken back to the police station. When the officers returned to the station, they agreed to concoct a false story of what happened so as to legitimize their use of force on Paxton. All of the officers involved, including the off-duty officer from the road rage incident who came to the scene to watch, were charged with various civil rights and obstruction of justice offenses. Two officers were convicted of using excessive force against Paxton. The five officers were convicted of obstructing the investigation. The lead defendant, Patrick Carson, was sentenced to 33 months in prison. Duane Poucher pleaded guilty to the same charges, testified at trial, and received a sentence of two years' probation. The remaining defendants were each convicted of obstruction of justice offenses and were sentenced to terms of probation which include home confinement. The convictions and sentences are now on appeal. *United States v. Carson, et al.*

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LABOR RACKETEERING

Two Union Leaders Charged in Construction Discount Scheme

Walter Mabry is the Executive Secretary-Treasurer of the Michigan Regional Council of Carpenters (MRCC). Anthony Michael is the former President and Executive Director of the MRCC. Mabry and Michael are charged with conspiring to solicit and receive prohibited payments in the form of discounts from a number of construction companies whose employees were represented, or would have been admitted to membership in, the MRCC, and with solicitation and receipt of a prohibited payment (discount) from one of the companies. According to the indictment, between approximately January 1998 and December 1999 Mabry and Michael, using



their union positions, conspired to solicit and obtain extraordinary discounts (that is, discounts beyond those typically given to customers) totaling over \$120,000 on building materials, labor, and related costs, from a number of area construction companies whose employees were members of the union, in order to reduce the cost to Mabry of constructing a new personal residence in Grosse Pointe Park, Michigan. Trial is in 2006. *United States v. Mabry et al.*

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Former UAW Officials Indicted for Extortion and Mail Fraud

Donny Douglas and Jay Campbell are charged in a three-count indictment with conspiracy to violate the Labor-Management Relations Act, conspiracy to extort, and mail fraud. According to the indictment, Douglas and Campbell conspired to require General Motors to hire two persons for positions to which they were not entitled, as a condition of resolving a labor dispute between General Motors and UAW Local 594. The indictment charges that this conduct was intended to defraud the members of Local 594 of a duty of fair representation by Douglas and Campbell, who were union officials at the time. A jury trial is scheduled for March 2006. *United States v. Douglas et al.*

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ORGANIZED CRIME

Albanian Organization Charged in Murder-Racketeering Ring

Florian Carcani pleaded guilty in state court to second degree murder, and has agreed to testify against his codefendants. In addition, Carcani has agreed to plead guilty to committing a violent crime in aid of racketeering in federal court. The remaining defendants – Oliger Merko, Ketjol Manikou and Edmond Zoica – await trial for first degree murder. In addition, Edmond Zoica has been indicted federally with committing violent acts in aid of racketeering. His federal case has been held in abeyance until the conclusion of the state court prosecution. *United States v. Carcani, et al.*

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ENVIRONMENTAL CRIMES

Waste Disposal Executive Sentenced to 27 Months for Illegal Dumping

Ghazi George was the vice president of City Environmental in Detroit. City Environmental was in the business of accepting hazardous waste from industries for proper disposal. Rather than incur the expense of proper disposal, George directed the employees of City Environmental to simply flush hazardous wastes down the drain and into the city sewer system, or caused the wastes to be sent to a landfill that was not equipped to handle them. In order to conceal what City Environmental was doing, George ordered his employees to tamper with monitoring equipment on which the Detroit Water & Sewer Department relied to verify that City Environmental was complying with limitations on what it could put

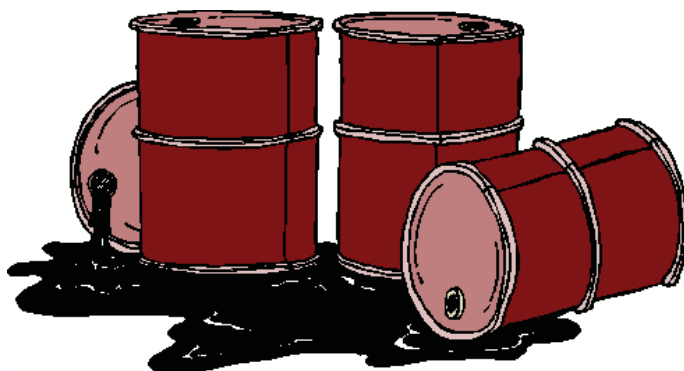
down the sewer. In March of 2005, George was sentenced to 27 months in prison and a \$60,000 fine after pleading guilty to violating the Resource Conservation & Recovery Act and the Clean Water Act. The case was investigated by the Environmental Protection Agency and the FBI. *United States v. George*

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Paint Company Owner Convicted for Improper Storage of Hazardous Waste

Norman Solomon was the president and owner of Michigan Industrial Finishes, a paint manufacturing facility in Hamtramck. Between 1997 and 2004, at Solomon's direction, Michigan Industrial Finishes stored at least one metric ton of hazardous paint waste per month. The waste included xylene, toluene and methyl-ethyl-ketone. The waste was stored in violation of a cease and desist order from the State of Michigan. EPA removed more than 3,300 drums of waste from the facility at a total cost of \$4 million. Solomon was sentenced to four months in a halfway house, four months' home detention and \$1 million restitution. The case was investigated by the EPA and FBI. *United States v. Solomon*

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CIVIL DIVISION CASES - DEFENSIVE LITIGATION



Civil - Defensive Litigation Unit

Office Defends the No Child Left Behind Act

This was the first lawsuit, filed on behalf of the National Education Association and eight school districts in Michigan, Texas and Vermont, to challenge the No Child Left Behind Act. The Department of Education is alleged to have violated the Act by forcing the states to spend their own money to meet federal regulatory requirements issued under the Act. The complaint seeks a declaratory judgment that the states are not required to spend their own money to comply with the federal requirements. The case was filed on April 20, 2005 and the government's motion to dismiss was argued on October 19, 2005. *School District of the City of Pontiac v. Margaret Spellings, U.S. Secretary of Education*

ACLU Files Lawsuit against PATRIOT Act

This is a case filed by the ACLU on behalf of several Muslim organizations in August of 2003 challenging the constitutionality of Section 215 of the USA PATRIOT Act. That section authorizes the Foreign Intelligence Surveillance Court to

order the production of records relevant to certain investigations, including those intended to prevent international terrorism. The plaintiffs challenge Section 215 on the grounds that it violates their privacy, due process and free speech rights. In October of 2003, the government filed a motion to dismiss the case, arguing: 1) the plaintiffs lack standing to challenge Section 215 since they have not and cannot argue that Section 215 has been used against them or any of their members, and 2) even if the plaintiffs had standing, their constitutional arguments are without merit. The motion to dismiss has been pending for about almost two years. *Muslim Community Association of Ann Arbor, et al. v. Ashcroft*

Civil Rights Suit Causes Retrofitting of over 5,000 Apartments To Accommodate Persons with Disabilities

This is a disability discrimination case brought against a large-scale apartment developer and its architectural firms for discriminating against persons with disabilities in the design and construction of apartment complexes, in violation of the Fair Housing Act and Americans with Disabilities Act. Many of the apartment buildings were designed and constructed so that the first floor apartments could be reached only by going down stairs. On September 30, 2005, a consent decree was reached that resolved both matters. Under the consent decree, the developer and architects have agreed to retrofit 49 apartment complexes in seven states to make over 5,400 ground floor apartments accessible, and to pay a \$110,000 civil penalty and up to \$950,000 to victims harmed by the lack of accessible features at the properties. *United States v. Edward Rose & Sons et al.*

Woman Sues TSA over Screening at Airport

A woman with a prosthetic leg brought suit claiming that she has been subjected to unreasonable searches by TSA screeners at various airports across the country. The plaintiff originally sought an injunction prohibiting TSA from searching her at all, and allowing her “unencumbered access” to boarding gates. She subsequently changed her request to an injunction requiring TSA to strictly follow its own procedures. The plaintiff’s motion for preliminary injunction and the government’s motion to dismiss have been pending since July 20, 2005. *Thomson v. Stone*

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Citizenship and Immigration Services Prevails in Suit Brought by Employers

These two cases involve identical issues. In both cases the plaintiff employers are challenging Citizenship and Immigration Services’ (CIS) denial of I-140 employment-based visa petitions filed on behalf of alien workers who the employers seek to hire in a computer-related capacity. The issue in both cases is whether CIS acted arbitrarily and capriciously in determining that the aliens do not meet the requirements for a “professional” worker because they do not hold a U.S. baccalaureate or a foreign equivalent degree. The court ruled favorably for the government. One employer appealed to the Sixth Circuit. *Whale Corporation v. United States Citizenship and Immigration Services*; *W.C. Software Services v. United States Citizenship and Immigration Services*

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HUD Settles Old Racial Discrimination Class Action Suit

This is a class action racial discrimination suit filed in 1968 against the City of Hamtramck and HUD involving removal of black residents through urban renewal. Judge Keith, sitting by special designation, continues to handle the case as trial judge. Plaintiffs prevailed at trial against both Hamtramck and HUD. After appeals, which significantly cut back on HUD’s joint liability secondary to Hamtramck’s primary liability, there was a partial consent judgment in 1980 between Hamtramck and plaintiffs that contemplated the building or rehabilitation of 200 units of subsidized and affordable housing for plaintiff class and 150 units of elderly housing. On October 5, 2005, HUD and plaintiffs filed a stipulated settlement setting aside 25 Section 8 (HCV) housing subsidies for the most needy class members that will be transferable to the remedial housing, including a rent-to-buy feature, once it becomes available (building has just begun). On December 14, 2005, Judge Keith approved the HUD settlement as fair, reasonable, and adequate after a Rule 23(e) hearing. *Garrett, et al. v. City of Hamtramck, et al.*

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Government Prevails in Suit Over “No-Pet” Rule



On February 18, 2005, a jury returned a verdict of \$314,209 for the United States and plaintiff-intervener in a suit alleging that the defendants violated the Fair Housing Act by refusing to waive a no-pets rule to allow the complainant to keep an emotional support dog in her unit. The case was referred to our office after the Department of Housing and Urban Development (HUD) received a complaint,

conducted an investigation and issued a charge of discrimination. *United States v. Royalwood Cooperative Apts, Inc., et al.*

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Verdict Against Drug Dealer Shot During Undercover Deal Upheld on Appeal

Two drug traffickers were shot during their attempt to rob two undercover DEA agents during a \$48,000 controlled delivery. Suit was brought against the DEA under the Federal Tort Claims Act because one of the robbers was killed and the other was rendered a quadriplegic. The one who is quadriplegic sued the United States for wrongful use of deadly force. In May, 2003, the case was tried, and the court found for the government, issuing a no cause verdict. The plaintiff appealed, and on May 27, 2005, the Sixth Circuit affirmed in a published decision. *Morales v. United States*

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Government Prevails in Suit Brought by Retired ATF Agent

This was an age discrimination suit brought under the ADEA by a retired ATF Special Agent who claimed age discrimination. The agent had unsuccessfully applied for at least 40 merit promotions after he was 40 years of age. At issue in this case were his unsuccessful applications for four vacancies in the Detroit Division office. A five-day bench trial held in February, 2005, resulted in a favorable verdict for the government. *Griffith v. Ashcroft*

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Cause of Death At Issue in VA Medical Center Malpractice Case

The survivors of a Saginaw VA Medical Center patient who died after taking an excessive amount of the steroid dexamethasone have sued claiming negligence. The government did not dispute that, due to the negligence of personnel at the Saginaw VAMC, this occurred. The issues litigated involved whether the dexamethasone overdose caused the patient's death and, if so, how long he was likely to survive with hormone refractory metastatic prostate cancer. This case settled for \$300,000 in late 2005. *Krcmarik v. United States*

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Dissatisfied Bidder's Suit Against HUD Dismissed

This was a disappointed bidder case brought by LaSalle Group, a general contractor who, despite being the lowest bidder, was not awarded the general construction contract for a project called the Mexicantown Project. The Mexicantown Project is an effort by the Mexicantown Community Development Corporation (MCDC), a non-profit corporation that is funded heavily by grant monies from HUD and the Treasury Department's Economic Development Administration (EDA). MCDC awarded the bid to the second-lowest bidder at least in part because of its partial minority ownership (LaSalle Group had no minority owners). LaSalle's claims against HUD and EDA were brought under the Administrative Procedure Act and 42 U.S.C. § 1983. The court granted the federal defendants' motion to dismiss on grounds of lack of subject matter jurisdiction. Plaintiff did not appeal. *LaSalle Group, Inc. v. Mexicantown Community Development Corporation*

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Government Wins Trial in Case Brought Against Postal Service

A contract driver for the Postal Service alleged that he was permanently disabled when he lifted a ramp at the direction of a postal employee. At trial, the postal employee testified that he did not direct the plaintiff to assist him, but rather the plaintiff grabbed the ramp to remove it because he was in a hurry to get underway. After trial, a verdict was entered for the government. *Grugan v. United States*

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CIVIL DIVISION CASES - AFFIRMATIVE LITIGATION



Civil - Affirmative Litigation Unit

TRO Issued Against Durable Medical Equipment Provider

In an investigation resulting from the filing of a *qui tam* action, Rodney Cooper, Scott Cooper and related entities, of Birmingham, Michigan, were found to be improperly billing Medicare for medically unnecessary durable medical equipment, including diabetic shoes, knee braces and back braces for nursing home patients, some of which was never delivered to beneficiaries. The United States successfully argued to the court that there was probable cause to believe that the defendants fraudulently received about \$3 million from Medicare and Blue Cross and

Blue Shield. Pursuant to 18 U.S.C. § 1345, the court enjoined the defendants from selling, transferring or disposing of any assets, from the continued violation of any health care statutes, and the destruction of business, financial, patient, and accounting records. *United States ex rel v. Cooper, et al.*

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Forfeiture Returns Money to Victims of Commodity Trading Fraud

The Commodity Futures Trading Commission ("CFTC") seized approximately \$4.2 million from the account of a fraudulent commodity futures trader, Todd J. Snively. A civil forfeiture complaint *in rem* was filed against \$4.2 million seized by the CFTC, and the United States prevailed in that civil action. As a result, 845 victim-investors each received two-thirds of their investment monies back, via the federal forfeiture remission process. Subsequently, Snively was charged criminally and pled guilty to mail fraud. Snively was sentenced to the statutory maximum of five years of incarceration. This office has been granted the authority to direct the United States Marshals Service to disburse an additional \$140,000, representing the amount forfeited by Snively in the criminal case, to the 845 victim-investors on the same pro-rata basis utilized in the civil forfeiture case. Snively was also ordered to pay restitution to the 845 victim-investors in the total amount of \$1,973,432.29. *United States v. Snively* and *United States v. \$4.2 Million* (Civil and criminal forfeiture – remission and restoration to fraud victims)

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*Medicare Fraud Proceeds Seized
From Home Health Care Agency
Owners*

Elena and David Szilvagy, owners of Prime Care Services Inc., a home health care agency (and several other related corporations) defrauded Medicare of an estimated \$836,000 pursuant to the submission of false annual cost reports. Falsely obtained Medicare payments were used by defendants to build their lavish private residence in Clarkston, Michigan. Pursuant to the False Claims Act, the government brought suit seeking treble damages and seized approximately \$650,000 in a pre-judgment garnishment action under the Federal Debt Collection Procedures Act. Defendants entered guilty pleas in a parallel criminal proceeding brought in the Western District of Michigan and are currently serving 48- and 30-month respective prison sentences. In October, the court ordered the couple to pay \$2.5 million after granting the government's motion for summary judgment in the civil case in the Eastern District, based upon defendants' guilty pleas. *United States v. Szilvagy, et al.*

*Forfeiture Forces Power
Wheelchair Company Owner to
Give Up \$1 Million in Fraudulent
Medicare Payments*

This was a civil False Claims Act proceeding parallel to a criminal action. Defendant Hussein Amr, sole owner of U.S. Medical Supply, Inc., billed Medicare for unnecessary power wheelchairs and their accessories, and also engaged in up coding and submitting inflated repair bills. Amr was found guilty in the parallel criminal case, and significant forfeiture of approximately \$1 million was obtained. The civil division further obtained

a judgment in the amount of \$864,818.68, which was collected through an administrative offset. *United States v. Amr and U.S. Medical Supply, Inc.*

*Doctor, Companies, Sued for \$1
Million Fraud for Failing to
Disclose Common Ownership,
Control Relationships*

Aurora Healthcare, Inc. (Aurora), was a non-profit hospital that provided psychiatric services to Medicare and Medicaid patients. The United States intervened in this case. Defendant Soon K. Kim, M.D., controlled the operations of Aurora through a management team provided by Salem Service Company (Salem), a company which he owned. Kim and Salem reportedly caused Aurora to lease hospital premises from Michigan Mental Health Care Network, LLC (the "Network"), another company controlled by Kim, and to purchase other services from Kim-related companies. Notwithstanding Medicare and Medicaid guidelines that required participating hospitals to disclose and properly account for related party transactions, Aurora submitted cost reports to the Medicare and Medicaid programs during the 1998 through 2000 cost years which failed to disclose Salem and the Network as related parties. Fraud against the Medicare and Medicaid programs reached nearly \$1 million. *United States ex rel. Clark v. Aurora Healthcare, Inc.*

Assets Frozen, \$ 500,000 Seized in False Billing Investigation

Agents uncovered evidence that Rebecca Sharp was buying and selling home health care and physical therapy patient lists, engaging in kickbacks from home health care entities and also falsely billing Medicare for medically unnecessary services. Agents executed seizure warrants, netting approximately \$500,000 in fraud proceeds, most of which will be included in forfeiture counts. In addition, the government successfully obtained a TRO under the Fraud Injunction Statute, 18 U.S.C. § 1345, which prevents defendant from dissipating her assets during the pendency of the False Claims action. It is anticipated that damages will be in excess of \$1 million. *United States v. Sharp*

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Defendant in Metro Airport Fraud Case Seeks Chapter 11 Protection

This is a *qui tam* case alleging fraud in Wayne County contracts to oversee construction projects at the Detroit Metropolitan Airport. The United States intervened in part and declined to intervene in part. The United States intervened against defendants American International, Frank Vallecorsa, Robert Meredith, and also added Wilbourne Kelley as a defendant. Single damages are approximately \$19 million. American International filed for bankruptcy protection on March 14, 2005. On August 26, 2005, the Bankruptcy Court ruled that the government's False Claims Act suit is not subject to the Bankruptcy Code's automatic stay provision. On August 24, 2005, American International filed its Chapter 11 Plan of Reorganization which was orchestrated by Frank Vallecorsa. The United States successfully objected to the confirmation of the Chapter 11 plan proposed by Vallecorsa. These cases were subsequently converted to

Chapter 7 and a trustee appointed to liquidate the assets. *United States ex rel. v. American International, Frank Vallecorsa, et al.*

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Special Verdict Orders \$500,000 Forfeiture in Mortgage Fraud Case

Defendants were charged with 42 federal violations arising out of a mortgage fraud scheme. The Indictment contained forfeiture allegations seeking forfeiture of approximately \$200,000 in United States currency and twelve real properties valued at approximately \$300,000 based on their involvement in defendants' fraudulent activities. On November 24, 2004, following a trial, a jury rendered a verdict finding defendants guilty on all counts. The jury also issued a Special Verdict ordering all forfeiture sought by the government. The total value of the forfeiture is approximately \$500,000. *United States v. Jebril*

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COMMUNITY PARTNERSHIPS

Law Enforcement Coordinating Committee

The Law Enforcement Coordinating Committee (LECC) provides an informational network for law enforcement managers and executives committed to the ideal of cooperation and coordination at all levels of local, state and federal law enforcement.

The LECC of the Eastern District of Michigan sponsors or co-sponsors no or low-cost training seminars addressing the professional needs of more than 100 local and state law enforcement agencies. The program has become the cornerstone of joint federal, state and local law enforcement efforts. Robert Poikey, our LECC coordinator, has an extensive background in law enforcement. He can be contacted at 313-226-9120.

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Project Safe Neighborhoods - Community Outreach Initiatives

On May 14, 2001 President George W. Bush announced the implementation of Project Safe Neighborhoods, a national initiative that targets gun crime and violent offenders in an effort to make our streets and communities safer. Despite an overall decline in the number of gun homicides during the last fifteen years, the incidence of gun violence remains intolerably high. Our nation's violent crime rate is among the highest in the industrialized world; our teenagers are more likely to die from a gunshot than from all natural causes of death combined.

Project Safe Neighborhoods seeks to address the problem of gun violence by establishing partnerships between federal, state and local law

enforcement authorities as well as partnerships with community and faith based groups. The United States Attorney has been charged with the responsibility for bringing together the law enforcement agencies and the community to ensure a uniform and comprehensive approach to reduce gun violence. Project Safe Neighborhoods has three components: 1) enforcement, 2) prevention and 3) public awareness/community outreach.

In the Eastern District of Michigan the centerpiece of the enforcement component are the gun case referral agreements with local prosecutors, which operate to assure swift prosecutions and maximum sentences for those who commit crimes with guns. In 2005, 134 gun cases were referred for federal prosecution. The average sentence for those cases is 79 months. In 2004, the average sentence was 95 months.



Operation "Weed and Seed"

Operation Weed and Seed is a community development initiative of the Department of Justice that is coordinated in the Eastern District of Michigan under the leadership of the U.S. Attorney. Weed and Seed uses a community driven strategy which seeks to "weed" out crime and "seed" in needed resources designed to strengthen the community, its residences and



businesses. There are currently seven Weed and Seed sites in the Eastern District of Michigan that have proven to be a valuable asset to the District. The sites are located in the east, west and northwest areas of Detroit as well as the cities of Inkster, Highland Park and Flint.

The Weed and Seed sites continue to be officially recognized and funded by the Department of Justice. The sites assist the U.S. Attorney's Office in the Eastern District by fostering relationships between local residents, neighborhoods and businesses along with federal, state and local law enforcement. These relationships have proven to be key in assisting the office with community outreach efforts.

The sites continue their two-prong strategy. This strategy includes working with law enforcement within their respective sites to weed out violent firearm and drug offenders. At the same time, working with local businesses, churches and schools to seed in human service programs.

Our Weed and Seed directors conduct Project Sentry, a three-day workshop for middle school youth regarding the dangers of guns and violence. It is designed to educate students about the medical, legal, emotional and societal consequences of gun violence. The program is unique in that the program is taught by students, doctors and nurses, lawyers, law enforcement and other community groups.

Project Sentry also offers Sentry Clubs, which are designed to teach middle school students life skills through the game of chess. The program is 15 weeks, one hour per week, designed to teach children how to plan ahead, think strategically,

peacefully resolving conflicts, and increasing their attention span, while at the same time showing them how to play the game of chess.

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DEFY
(Drug Education for Youth) Camp



The office launched its first DEFY (Drug Education For Youth) Camp in the summer of 1997. DEFY is a drug education and personal development program for youth which is being implemented across the country by Weed and Seed sites. The DEFY program is designed to expose the youth participants to a structured and disciplined environment. Phase I of the DEFY program consists of a five-day nonresidential camp at neighboring Selfridge Air National Guard Base. More than 90 youths participated in the camp, ranging in ages from 10 through 12. Young people living on the base with their families also participated daily in the DEFY activities. The DEFY curriculum consists of information related to the dangers of drugs and gun violence. Recreational activities including swimming, bowling, fishing, boating and aerobics are provided daily. The curriculum is presented by local, state and federal law enforcement agencies and the Weed and Seed directors. Additionally, the youth are in the daily care of mentors and group leaders composed of active duty and reserve military personnel, military spouses, base youth services personnel, and a host of other volunteers. For many youth (and some of the adults) the camp was their first exposure to life on the base.

Phase II is consists of a ten-month mentoring program. The mentoring programs are built around the life skill modules that were taught

during Phase I. DEFY graduates continue to receive support and encouragement to continue active participation in schools and neighborhoods within their communities.

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Anti-Terrorism Advisory Council

As part of our mission to disrupt and prevent terrorism, the United States Attorney chairs the district's Anti-Terrorism Advisory Council (ATAC). The ATAC, which comprises members of federal, state and local law enforcement agencies, emergency responders, the medical and public health communities, and the private sector, is designed to make the district a seamless collaboration of all of the agencies working to prevent terrorism. The ATAC meets quarterly to bring all of our partner agencies together and facilitates information sharing on a daily basis. The ATAC provides guidance on criminal trends and developments in the law, initiates training opportunities, and coordinates special counter-terrorism projects, such as improving communication capabilities and preparing for the Major League Baseball All-Star Game and Super Bowl XL. As a result of the coordination developed through the ATAC, some successful counter-terrorism prosecutions have begun with information provided by one of our partner agencies.

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BRIDGES

The United States Attorney also participates in "BRIDGES," ("Building Respect in Diverse Groups to Enhance Sensitivity") a successful partnership between federal law enforcement agencies and leaders in the Arab American and Middle Eastern communities in the Metro-Detroit region. BRIDGES is the outgrowth of an alliance formed shortly after 9-11 to address the potential for backlash against the local Arab American and

Middle Eastern communities. From this alliance evolved BRIDGES, which now meets on a regular basis to provide a forum to address issues of mutual concern and to foster better understanding. BRIDGES addresses issues such as the Iraqi out-of-country voting held in the Eastern District of Michigan, border crossings, no-fly lists, cultural sensitivity, hate crimes, law enforcement policies and procedures, and immigration.



During 2005, BRIDGES hosted a public forum on terrorism financing through charitable giving and a town hall meeting on enforcement of civil rights laws to protect the Arab American and Middle Eastern communities. Based on the success of BRIDGES, Deborah Ramirez, a law professor at Northeastern University, who conducted a study on law enforcement/community relationships, has stated that "the Dearborn/Detroit area is the 'gold standard' for law enforcement partnerships with the Arab, Muslim, and Sikh Communities." The success of BRIDGES has inspired other districts to form their own BRIDGES chapters.

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Michigan Alliance Against Hate Crimes (MIAAHC)

This Office continues to have a leadership role in the Michigan Alliance Against Hate Crimes (MIAAHC), which we co-chair with the United States Attorney's Office for the Western District of Michigan and the Michigan Department of Civil Rights. MIAAHC is designed to unify the resources of federal, state and local law enforcement agencies, as well as community leaders, in a coordinated fashion to ensure a complete and effective response to hate crime in Michigan. The membership includes community and civil rights groups as well as representatives from federal, state and local law enforcement. Meetings are held quarterly, with standing

subcommittees (Enforcement and Training, Data Collection/Trend Analysis, Victim Support, Education and Public Awareness and Community Response) generally meeting on a monthly basis. Activities include: providing guidance and assistance in the investigation and prosecution of individuals who commit hate crimes; training federal, state and local law enforcement officers in hate crimes enforcement; educating communities on the scope of the problem and the strategies needed to combat such criminals conduct

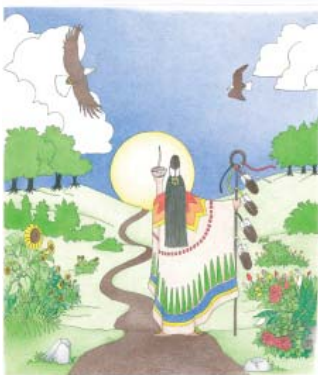
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Advocates and Leaders for Police and Community Trust (ALPACT)

Our community outreach efforts include our continuing leadership role in Advocates and Leaders for Police and Community Trust (ALPACT), a coalition of law enforcement and community advocacy groups that meets monthly to discuss issues of mutual concern, including racial profiling, post 9/11 discriminatory backlash issues, and more. This year, ALPACT has held important training and discussion related to use of force decision-making, the use of Tasers by law enforcement, diversity and the rise in hate crimes in southeast Michigan.

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12th Annual Great Lakes Native American Conference



The Eastern District of Michigan was host to the 12th Annual Great Lakes Native American Conference, August 22 - 24, 2005 in Bay City, Michigan. This annual multi-disciplinary conference is intended for individuals who provide services to



Native Americans, such as representatives from human services, schools, clergy, victim services, the medical profession, probation officers, prosecutors offices, law enforcement, judges and Tribal leaders. The goal of this conference is to provide these individuals with skills that will enable them to provide an improved response to victims of family violence and other violent crimes. This year's conference was attended by 133 individuals who gave rave reviews about the quality of speakers, knowledge obtained and workshop topics. This conference is a collaborative effort of the United States Attorney's Offices for the Eastern and Western District of Michigan, the Eastern and Western District of Wisconsin and the District of Minnesota. These offices continue to work together to make this annual event a useful educational experience.

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*VICTIM AND WITNESS
SERVICES*

The United States Attorney's Office for the Eastern District of Michigan is committed to the protection of the rights of crime victims and witnesses and ensures that they are treated with dignity and respect.

This has been accomplished through our Victim-Witness program. This program will assist eligible federal crime victims and witnesses with the following:

- Provide information about the status of the case;
- Provide referrals for victims to crisis intervention, counseling and other assistance services;
- Provide information on victim compensation to victims of violent crime;
- Provide information about submitting written or oral victim impact statements at the time of a defendant's sentencing;
- Accompany victims to court for trial and sentencing;
- Register victims with the Victim Notification System database and provide notification;
- Provide logistical information and assistance to witnesses with respect to directions, transportation, parking, witness fees and travel reimbursement (assistance with airline and lodging arrangements is provided for out-of-state witnesses); and,
- Provide notification, upon request, to the employer of the victim/witness if cooperation in the prosecution of the crime causes absence from work.

The program also provides training in victims issues to federal, state and local service providers. The training included courses on the new Justice for All Act, drug-endangered children,

Native American victim issues, and Internet child exploitation. The Victim-Witness Program Coordinator is Sandra Palazzolo. She can be contacted at 313-226-9510 for assistance.

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